TASK FORCE ON BROADCASTING POLICY

IMPACT OF SELECTED POLICY CHANGES IN THE CANADIAN BROADCASTING SYSTEM

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The Coopers & Lybrand Consulting Group

Management Consultants

TABLE OF CONTENTS

		Page
I.	INTRODUCTION AND EXECUTIVE SUMMARY	1
II.	OVERVIEW OF THE CANADIAN BROADCASTING SYSTEM	2
	A. INTRODUCTION	2
	B. INTERRELATIONSHIPS BETWEEN THE KEY ELEMENTS	3
	1. Flow of Products and Services: Schematic Description	3
	2. The Entertainment and Information Industry	4
	3. The Canadian Broadcasting Industry	5
	4. The Canadian Television Industry	7
	5. The Canadian Radio Industry	8
	6. The Canadian Cable Industry	10
	7. Conclusion	11
	C. KEY QUANTITATIVE AND FINANCIAL DIMENSIONS	11
	1. Key Companies Active in the Canadian Broadcasting Industry	11
	2. Broadcasting Units and Employment	14
	3. Sources of Revenues	15
	4. Expense Items	16
	5. Profitability	18
	D. CONCLUSION	21
III.	ECONOMIC IMPACT ANALYSIS OF SIGNIFICANT POLICY CHANGES	23
	A. INTRODUCTION	23
	B. METHODS	23
	1. Microeconomic Qualitative Analysis	23
	2. Microeconomic Quantitative Analysis	24
	3. Macroeconomic Quantitative Analysis	24
IV.	SELECTED POLICY CHANGES UNDER CONSIDERATION	26
	A. THE RADIO BROADCASTING INDUSTRY	27
	1. Formation of Networks of Smaller Radio Stations	29
	2. Removal of Restrictions on Commercial Time	32
	3. Increased Canadian Recorded Content	34
	B. TELEVISION BROADCASTING INDUSTRY	41
	4. Increase Expenditures on Canadian Programming	41
	5. Tax Incentives to Support Canadian Programming	45
	6. A Third National English Network	47
	7. Establish Canadian Superstations	52
	8. Purchase Residual Rights of U.S. Network Programs for Canada and Sell Advertising Canada	55

Page

V. CONCLUSION 62

LIST OF APPENDICES

I. A DESCRIPTION OF THE STATISTICS CANADA INTER-PROVINCIAL INPUT-OUTPUT MODEL
II. ANALYSIS OF PROFITABILITY REQUIREMENTS IN THE RADIO BROADCASTING INDUSTRY
III. THE MOST POPULAR TELEVISION PROGRAMS IN TORONTO-HAMILTON

LIST OF FIGURES

1. Flow of Products and Services in a Typical Industry
2. The Entertainment and Information Industry
3. The Canadian Broadcasting Industry
4. The Canadian Television Industry
5. The Canadian Radio Industry
6. The Canadian Cable Television Industry
7. Broadcasting Industry Employment
8. Broadcasting Industry Salaries and Benefits
9. Broadcasting Industry Revenues
10. National and Network Advertising Revenues
11. Local Advertising Revenues
12. Broadcasting Industry Total Expenses
13. Broadcasting Industry Program Expenses
14. Share of Profit Before Taxes
15. Share of Profit Before Taxes and Interest
16. Return on Investment from 1976 to 1984.

LIST OF TABLES

A. Assessment of the Policy Options Under Consideration: Summary

1. Performance Indicators of Canadian Private Television, Radio and Cable Industries (1936-1984).

2. Key Companies Active in the Canadian Broadcasting Industry.

3. Profitability of the Privately Owned Radio Broadcasting Industry, by Revenue Group, 1976-1984.

4. Changes in Revenues or Expenditures For Smaller Radio Stations to Achieve Profitability.

5. Estimated Costs of Releasing a Record in Canada by a Canadian Artist.

6. The Macro-Economic Impact of $50 Million of Additional Purchases From the Sound Recording Industry.

7. Profile of Television Programming Expenditures.

8. The Macro-Economic Impact of $100 Million in Additional Television Programming on the Canadian Economy.

9. Unaffiliated Television Stations in Major Canadian Markets.

10. Proportion of U.S. Network Shows Currently Available on Canadian Stations.

11. Determination of Potential Ad Revenues for U.S. Stations on Canadian Cable TV: Advertising Market and Audience Share Method.

12. Determination of Potential Ad Revenues for U.S. Programming on Canadian Cable TV. CPM and Total Audience Method.

13. Estimations of U.S. Television Spillover in Canada Micro and Macro Comparisons.

I. INTRODUCTION AND EXECUTIVE SUMMARY

In October 1985, the Federal Task Force on Broadcasting Policy commissioned The Coopers & Lybrand Consulting Group to assess the impact of selected policy changes.

Our terms of reference were described in a proposal dated October 8, 1985 and subsequent contractual documents. A series of meetings were held with the personnel of the Task Force to define the specific needs. The policy options to be analyzed were specified by the Task Force personnel in February, 1985. The project was conducted for The Coopers & Lybrand Consulting Group by Louis Caouette, Christine Lucyk and Guy DeRepentigny. Mr. John E.L. Farrow was the partner-in-charge and Jean D. Paquin served as technical advisor.

The report includes the following elements. In Chapter II, we present an overview of the Canadian broadcasting system. The interrelationships between the key elements are outlined and presented in flowcharts. The objective is to integrate and compare the television, radio and cable media; other reports prepared for the Task Force have analyzed in detail for each of these sectors. This chapter details the properties owned by the key private companies active in the Canadian broadcasting industry, including cross media ownership. Finally, key quantitative and financial dimensions are also presented in Chapter II.

In Chapter III, we present the methodologies used to analyze the policy options. Given the diversity and complexity of the options, a variety of methods were used: microeconomic qualitative, microeconomic quantitative, and macroeconomic quantitative. As indicated in this chapter, many of these options would easily have justified considerable effort to analyze them in greater detail (e.g. the viability of a third English private television network). Within the constraints of this study, only a broad brush description and analysis was possible.

In Chapter IV, the analyses are presented for each of eight options, with the objective of improving the performance of the Canadian radio and television industry. The options and our assessment are summarized in Table A. In short, two policies (#3 and #4) designed to increase funding of the Canadian sound recording and television programming industries show strong positive economic benefits. Also, there are two options (#5 and #8), tax incentives and purchase of U.S. residual rights, which would contribute to increase the funding for Canadian made television programs; closer analyses would be warranted in the latter two cases.

II. OVERVIEW OF THE CANADIAN BROADCASTING SYSTEM

A. INTRODUCTION

This chapter has two main sections, interrelationships between the key elements, and key quantitative and financial dimensions.

The first section describes the types of players active in the entertainment and information industry; successive figures will present the broadcasting, television, radio and cable industry.

The second section lists the specific holdings of 25 large broadcasting groups in Canada. Then some comparisons are drawn for revenues expenses and profitability for the various components of the industry.

Table A

ASSESSMENT OF THE POLICY OPTIONS UNDER CONSIDERATION: SUMMARY

POLICY OPTION	METHODOLOGY	COMMENTS	ASSESSMENT
RADIO			
1. Encourage network affiliations of smaller radio stations.	Micro quantitative and qualitative analysis. Profitability analysis, compared with existing networks.	The objective is to provide better content, increase listenership and improve profitability.	The revenue/expenditure changes required appear difficult to achieve and this option does not seem likely to meet its desired objective.
2. Remove restrictions on commercial time for both AM and FM stations.	Micro qualitative analysis. Discussions with industry representatives.	The objective is to improve profitability.	While selected individual stations may benefit, this may happen to the detriment of smaller stations. The industry as a whole is unlikely to fare better.
3. Increase Canadian recorded content to stimulate production in the sound recording industry.	Micro quantitative analysis. Statistics Canada input-output model.	It is assumed that this increases demand for Canadian records by an additional $50 million. (No analysis on whether or how it may happen).	Employment impact: 1000 personyears direct & 1920 person-years, indirect and induced. Economic impact: $96.4 million (including the original $50 million).
TELEVISION			
4. Increase production of Canadian television programs.	Micro quantitative analysis. Statistics Canada input-output model.	For illustrative purposes, we show the stimulus effect of increasing expenditures on Canadian TV programming by $100 million. (No analysis on whether or how it may happen).	Employment impact: 1678 person-years direct & 3460 person-years, indirect and induced. Economic impact: $264.3 million (including the original $100 million).

Table A

ASSESSMENT OF THE POLICY OPTIONS UNDER CONSIDERATION: SUMMARY

POLICY OPTION	METHODOLOGY	COMMENTS	ASSESSMENT
5. Offer tax incentives to advertisers on selected Canadian television programs.	Micro qualitative analysis based on discussions with tax specialists and industry representatives.	The objective is to increase funding of specially approved Canadian television programs, particularly English language drama, variety and children's shows.	This option would have a positive effect and may generate as much as $50 million in additional support. Audience preferences, advertiser objectives, and TV management reactions would need closer look.
6. Create a strong third national English language private television network.	Micro qualitative analysis. Comparisons with French networks in Quebec and U.S. networks. Identification of potential providers. Analysis of viewership patterns in Canada.	The objective is to have stronger Canadian programming.	The key difficulty is the preference of English Canadian listeners for programs that have North American scale and quality. The Canadian market cannot support these higher cost programs. The objective is unlikely to be met through this option alone.
7. Establish Canadian superstations.	Micro qualitative analysis of the impact of additional signal availability on smaller TV markets.	The objective is to offer the diversity and quality of large city television in smaller markets.	Unless the superstations offer new programming with unique appeal, to partly untapped audience, viewership in smaller markets is unlikely to increase and shares & revenues of existing stations will suffer.
8. Purchase residual rights of U.S. network programs for Canada and sell advertising in Canada.	Micro qualitative and quantitative analysis. Identification of key issues. Analysis of U.S. content on Canadian stations. Determination of potential revenues, using three methods.	The objective is to generate additional advertising revenues from a media with strong viewer appeal in order to fund Canadian programming.	The estimates vary between $60 million and $450 million, depending on the method used. A closer look is warranted.

B. INTERRELATIONSHIPS BETWEEN THE KEY ELEMENTS

1. Flow of Products and Services: Schematic Descriptions

Industries can be described in terms of the key players active in the business:

- producers (primary, secondary, subcontractors, etc.),
- distributors (wholesale, retail),
- consumers,
- foreign elements (importers, exporters),
- government agencies and departments.

The schematic description in Figure 1 shows how the various elements come into play. The producers are at the start of the production chain. These producers use a variety of distributors to reach the end consumers. Many of the products reaching the consumer are actually imported from foreign countries. Some domestic products are exported to foreign countries. Government regulatory agencies and departments try to achieve social, economic and political goals, by influencing all key players by:

- encouraging or coercing producers to adjust their productions to meet national goals;

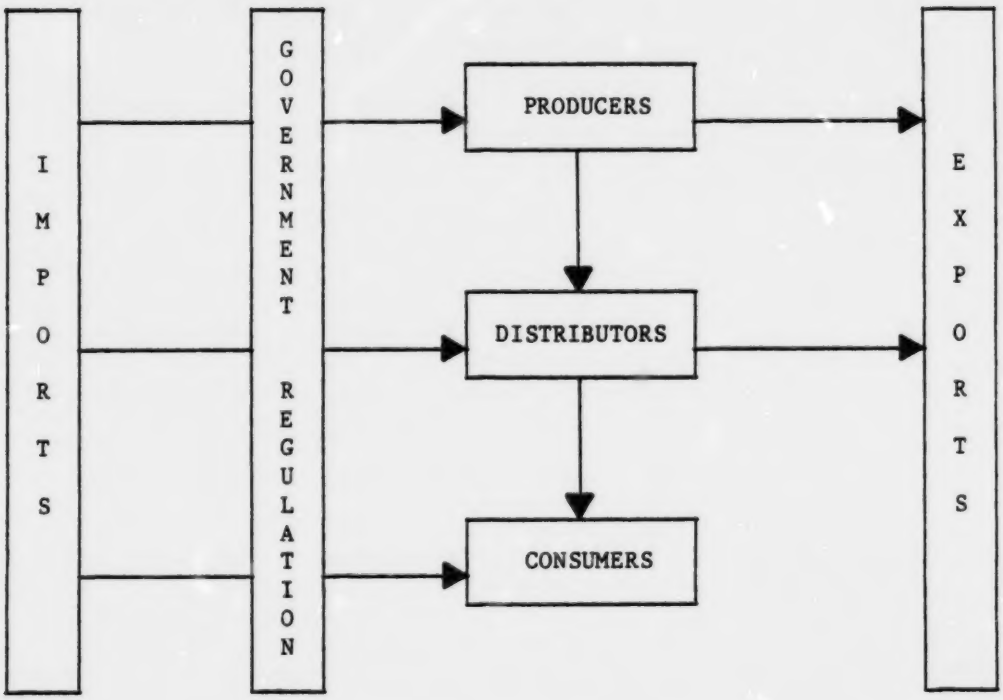
- assuring that distributors play a positive role in the domestic industry;

- limiting imports and promoting exports;

- trying to improve the well-being of consumers.

Figure 1

FLOW OF GOODS AND SERVICES IN A TYPICAL INDUSTRY



The reality behind Figure 1, particularly as it applies to the broadcast industry in Canada, is much more complex. Industries typically have many subsectors. The production chain usually has many successive elements. Elaborate and complex feedback mechanisms exist between each and every player in the industry.

The following sections will review the industry structure of the Canadian Broadcasting system, by:

- positioning it in the broader entertainment and information industry;
- identifying the many subsectors of the broadcasting industry;
- presenting an overview of these subsectors: television, radio and cable.

2. Entertainment and Information Industry

Consumers of entertainment and information have access to more than just the broadcasting industry (i.e. television or radio). The consumers can also use print (i.e. magazines, newspapers, books, reports) or live performances (i.e. plays, concerts, conferences). All forms of entertainment and information offered to consumers are part of a long "transformation chain" that is briefly described in Figure 2 and in the following paragraphs.

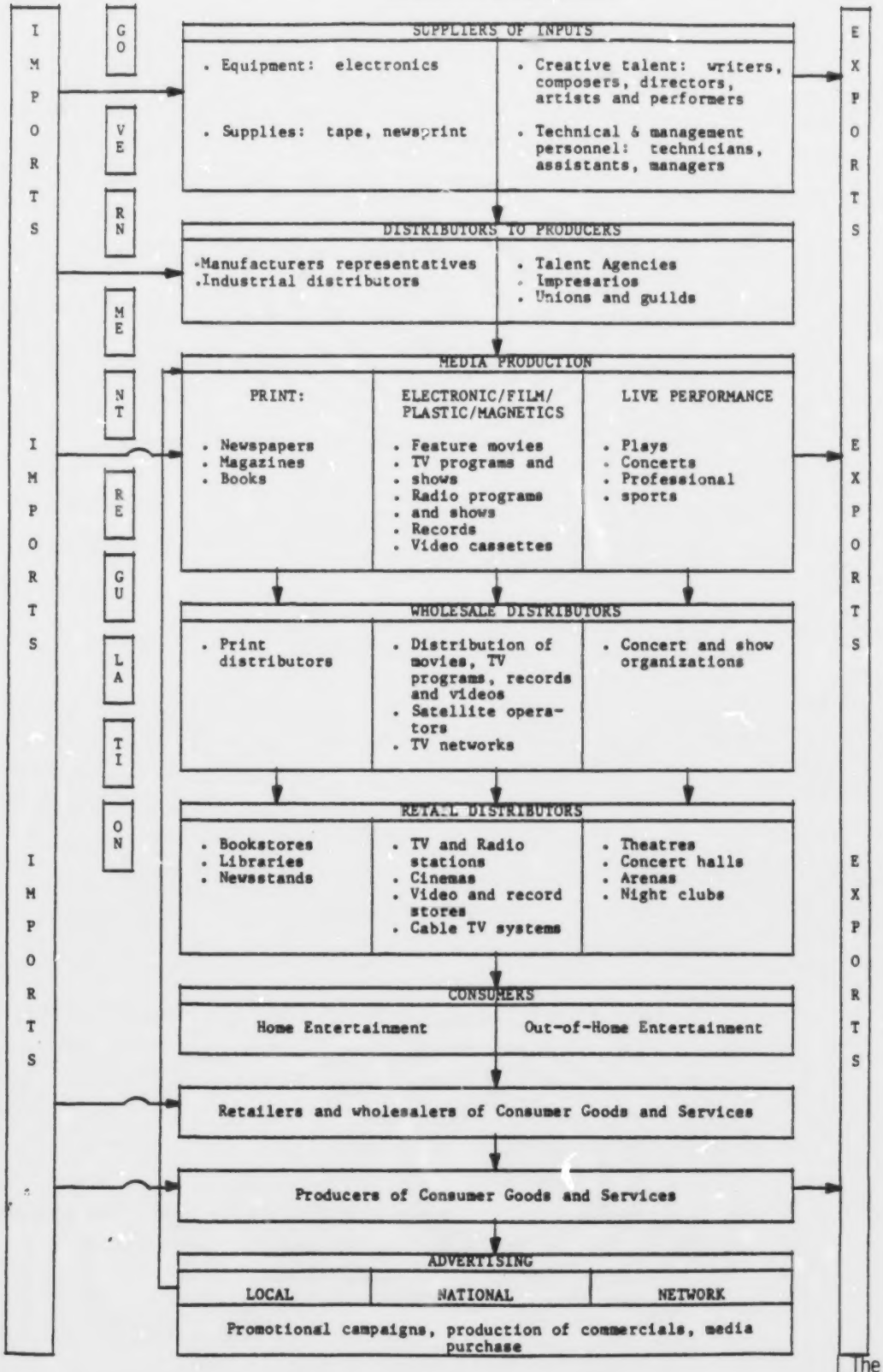
Four inputs are needed to start the process: the creative talent, the technical and management personnel, equipment (electronics) and general supplies (tapes, newsprints). These inputs are usually brought to the producers via distributors such as talent agencies and manufacturer representatives.

As indicated above, the producers of entertainment and information material can use a variety of media. Three principal types of media are described here:

Figure 2

THE ENTERTAINMENT AND INFORMATION INDUSTRY
FLOW OF GOODS AND SERVICES

(Simplified representation)



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- print: newspapers, books, etc.

- electronic/film/plastic/magnetics: feature movies, records, video cassettes, etc.

- live performance: plays, concerts, etc.

In this industry, the wholesale distributors are typically TV and radio networks, concert and show organizations, satellite operators, print distributors, etc. The wholesale distributors being the products to the retail distributors which are typically bookstores, libraries, TV and radio stations, cable TV systems, theatres, concert halls, etc.

The consumers have access to the products at this stage of the process. They can either enjoy home entertainment (TV, radio, video cassettes) or out-of-home entertainment (theatres, concert halls). These consumers in turn buy a variety of products and services sold in the economy. The purchases enable retailers, wholesalers and producers to pay the advertisements that are placed in the various commercial media: television, newspapers, magazines, radio and others.

Imports, exports and government regulations play an important role in most aspects of the entertainment and information industry.

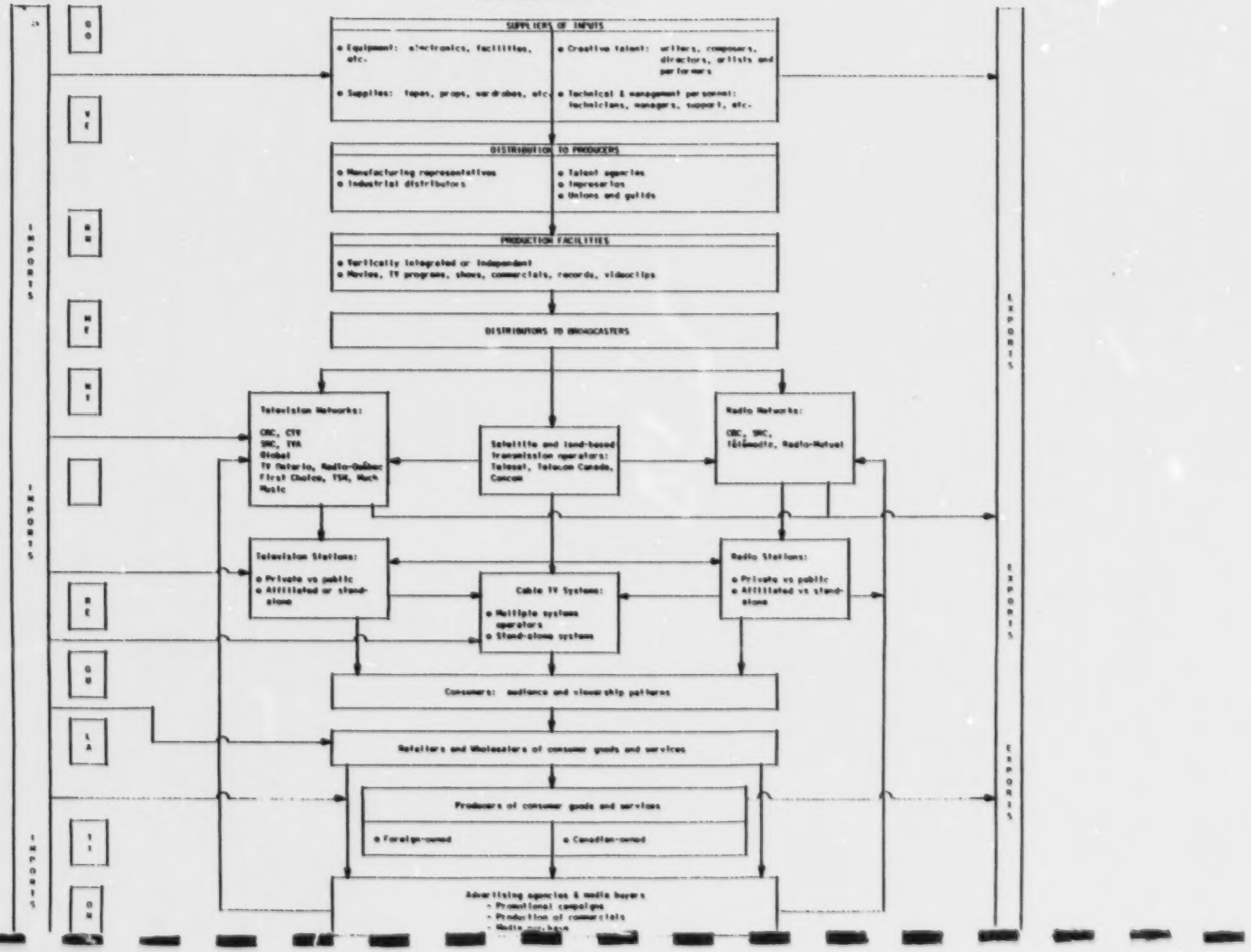
3. The Canadian Broadcasting Industry: Flow of Products and Services/External Influence

The broadcasting industry is a subsector of the broader entertainment and information industry. By general definition, the broadcasting industry includes television, radio and cable TV (see Figure 3).

Figure 1

THE CANADIAN BROADCASTING INDUSTRY:
FLOW OF GOODS AND SERVICES/EXTERNAL INFLUENCES

(Simplified Representation)



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In order to produce their specific products, economic agents of the broadcasting industry need the same types of inputs as indicated in the prior section: creative talent, technicians and management personnel, facilities and equipment, general supplies. The inputs are distributed to producers via talent agencies, and various manufacturers representatives. Creative talent is normally associated to unions and guilds. Most of the equipment is imported from the United States, Japan, Korea and other countries; very little is exported from Canada.

Program production is usually done in-house; independent producers play an increasingly important role (re: CBC/SRC policy to use more heavily outside suppliers for television programs).

Programs are brought to the broadcasters via distributors. This is a particularly important link for the television sector where program imports are a crucial factor for the commercial success of the enterprise. Radio is more domestically-oriented; trade with other countries is not significant, except for musical recordings.

The ownership and structure of broadcasters can be characterized as follows:

- Public networks (national and provincial),
- Private networks or systems,
- Private independent stations or systems.

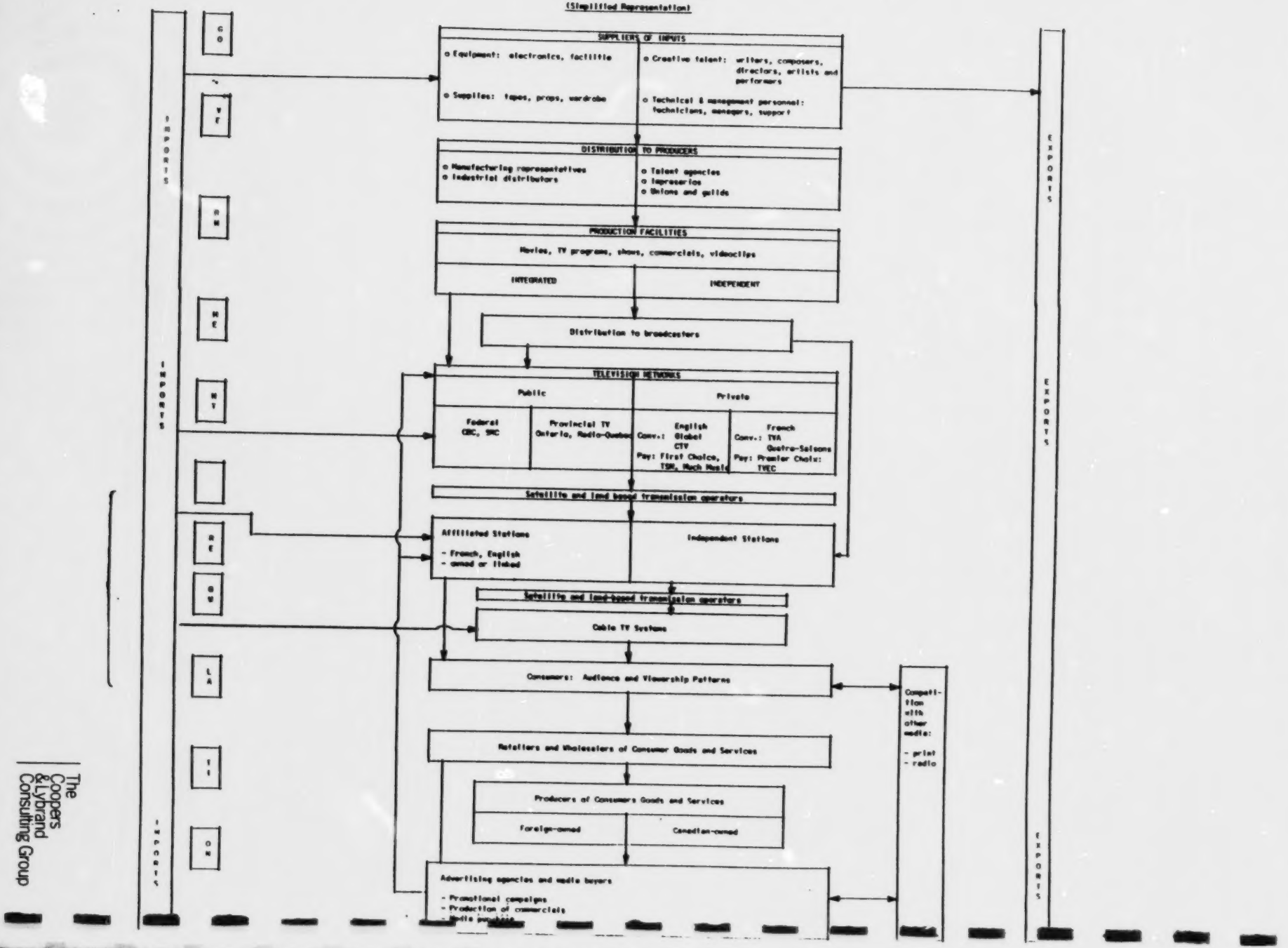
Key corporate players are described more fully in a later section.

The broadcasters are regulated by the Broadcasting Act which is administered by the Canadian Radio-Television and Telecommunications Commission (CRTC). Important elements covered by the law are: licences, content quotas, formats, commercial time, networking, etc. Policy changes in some aspects of these key elements will be analyzed in a later chapter.

Figure 1

THE CANADIAN TELEVISION INDUSTRY:
FLOW OF GOODS AND SERVICES

(Simplified Representation)



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Signals are transmitted to the consumers (viewers) in various ways: cable, satellite or microwave. Major satellite and land-based transmission operators are Telesat, Telecom Canada and Cancom.

Viewers buy products and services from wholesalers and retailers. These two groups and the manufacturers are existing or potential advertisers. The advertising agencies organize promotional compaigns, purchase media time and produce commercials for these clients. The advertising agencies are thus intermediates between manufacturers and broadcast media. The media also deal occasionally directly with the clients and will sometimes produce commercials for them.

4. The Canadian Television Industry

Television is the most important broadcasting medium in terms of revenues. The following paragraphs describe the interrelationships between the multiple sectors of the television industry (See Figure 4)

The production of television programs requires the normal inputs: human resources which comprise creative talent as well as technical and management personnel; physical resources which comprise electronic equipment, facilities and other supplies such as tapes, props and wardrobes. The inputs reach the producers through talent agencies, impresarios, manufacturer representatives and industry distributors. Creative talent (artists, writers, etc.) are generally associated with a union or a guild. Most of the electronic equipment is imported, but the other inputs are mostly developed in Canada.

Production facilities are used for multiple purposes; TV programs and commercials account for a large part of the activities. In the Canadian television industry, production is usually done in-house by broadcasters but independents play an important role. Their role will become even more important as broadcasters plan to purchase from outside sources more of their programs.

The programs are then distributed to television networks. The distribution function for purchased programs is very important since many foreign programs rights (from the U.S.in large part) are bought by Canadian networks. Vertically integrated networks distribute their own programs. The networks, public and private, supply the programs that they have produced, or purchased, to their affiliated stations. The services of satellite and/or land based transmission operators are used for this purpose. Independent stations usually deal directly with distributors.

Consumers (viewers) have access to television programs either off-air or via cable. Audience and viewership patterns determine how industry agents (producers, retailers and wholesalers) establish their advertising strategies. This is done in collaboration with advertising agencies and media buyers. Television competes with other media (print and radio) in order to get the largest share of advertising spending.

5. The Canadian Radio Industry

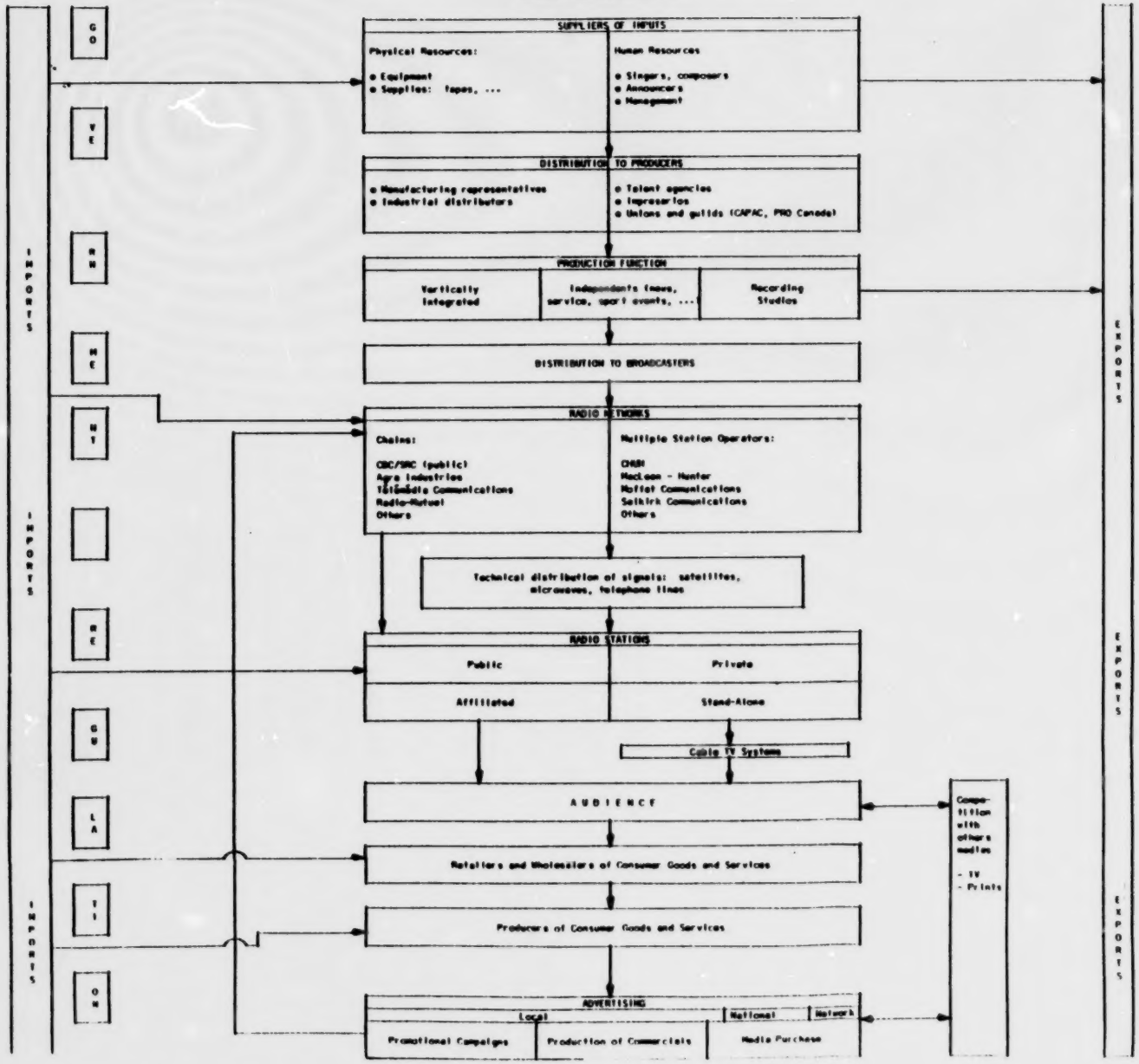
The interrelationships between sectors of the radio broadcasting industry can be briefly described as follows (see Figure 5). The CRTC regulates the radio stations by awarding broadcasting licenses, imposing content quotas and controlling formats, etc. Production of programs is usually done in-house but some stations have agreements with independent producers for news or sport events. Syndication exists but is not very significant in the case of radio broadcasting.

Interaction between the radio industry and the sound and recording industries is crucial for both of them. Radio stations broadcast sound recording. Radio stations have legal obligations to pay copyrights to lyricists, composers and music publishers. This can be viewed as a sponsorship of the recording industry by radio broadcasters.

Figure 1

THE CANADIAN RADIO INDUSTRY
FLOW OF GOODS AND SERVICES

(Simplified Representation)



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The Canadian radio industry also sponsors the Canadian sound and recording industry directly through the following means:

- the formation of the Canadian Talent Library (CTL) by Standard Broadcasting;

- the Foundation to Assist Canadian Talent on Records (FACTOR), a fund created by three major firms (CHUM, Rogers and Moffat);

- MUSICACTION, the Quebec counterpart of FACTOR/CTL.

Three categories of radio broadcasting organizations can be distinguished:

- Chains comprising many stations distributed across the country. They many be public like CBC/SRC or private like Agra and Télémédia. Such stations are very similar to each other in terms of programming and audience served. Stations of a chain are interconnected either by telephone lines or satellite.

- Multiple stations operators (ex.: CHUM, Moffat) owning many stations distributed across Canada; but, contrary to chains, the multi-stations are not necessarily similar in their programs and operations.

- Independent stations, including university campus or community stations.

The number of listeners, their consuming habits and listening patterns are the linkages between the stations and the advertisers. More generally, radio competes with other media for the sale of commercial time.

6. The Canadian Cable Industry

Cable is an important signal transmission medium; more than 75% of Canadian households now subscribe to cable where service is available. The CRTC regulates the industry by according licenses and by authorizing channels and rate increases.

The system operators also offer to the households access to many distinctive channels. Cable TV operators also rent converters and decoders to their subscribers so that they can access all the desired channels. Some TV manufacturers include a converter in their TV set, while decoders are necessary to use Pay-TV.

The basic services include the following channels: community, Canadian TV, foreign TV, FM radio, and services. The other channels are available on a supplementary subscription fee basis. The Pay-TV channels include movie-oriented channels (First Choice/ Superchannel, World View, etc.) and other specialty channels (news, music and sport channels).

New services are presently offered or will be offered in the near future. They include pay-per-view service, access to data banks, and many other potential services.

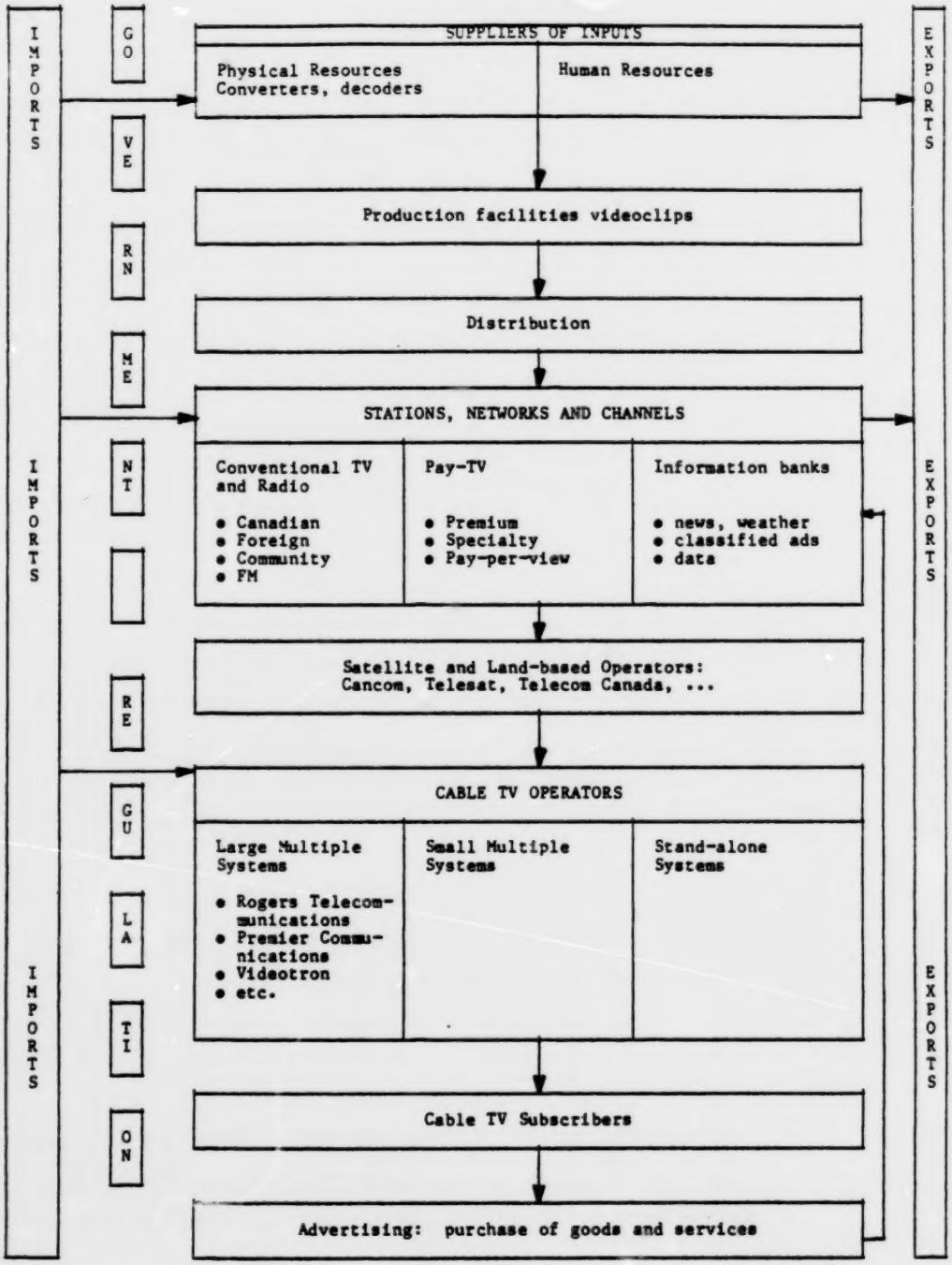
Three types of operators can be distinguished:

- the large multiple systems operators which are the most important players in the industry; for example, Rogers Telecommunications, Premier Communications and Videotron;
- the small multiple systems operations;
- the stand-alone systems operators.

Figure 6

THE CANADIAN CABLE INDUSTRY
FLOWS OF GOODS AND SERVICES

(Simplified Representation)



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The cable industry is important in many ways. First, cable gives Canadians an access to many channels and services on a North-American scale. Second, the cable market, mostly through Pay-TV channels, constitutes an ancillary market for Canadian and foreign feature movies and gives exposure to performers of the sound and recording industries (records, videoclips, etc.). In that sense, cable is competing with the rental video industry for viewers.

7. Conclusion

This section has presented schematic overviews of the interrelationships between the key elements of the Canadian broaccasting system. The following sections will highlight the key quantitative and qualitative factors of this industry.

C. KEY QUANTITATIVE AND FINANCIAL DIMENSIONS

This section presents key quantitative and financial dimensions of the Canadian private broadcasting industry. Comparisons are made between the three major sectors, television, radio and cable. The source of data is essentially Statistics Canada (catalogues 56-204 and 56-205, from 1976 to 1984); information on media ownership and affiliation has been gathered from a variety of sources. Except where mentioned, data are only for private broadcasters. The discussion hereinafter is based on the data appearing in Table 1.

1. Key Companies Active in the Canadian Broadcasting Industry

- Table 2 describes the 25 key companies active in the Canadian broadcasting industry. Emphasis is put on cross ownership, markets served and affiliation links between stations and network. All principal properties owned by each group are indicated.

Table 1

PERFORMANCE INDICATORS OF THE CANADIAN PRIVATE TELEVISION, RADIO AND CABLE INDUSTRIES 1976-1984

	1976	1977	1978	1979	1980	1981	1982	1983	1984	Average annual growth rate
• REPORTING UNITS										
- TELEVISION	65	65	65	73	75	75	73	79	85	3.4%
- RADIO	283	307	317	356	381	384	397	404	432	5.4%
- CABLE	232	250	282	308	324	340	361	392	415	5.8%
- TOTAL	580	622	664	737	780	799	831	875	932	4.4%
• TOTAL REVENUE ($000,000)										
- TELEVISION	282.2	330.9	403.6	472.4	562.1	652.4	745.9	833.2	899.6	15.8%
- RADIO	244.3	271.7	309.0	356.2	397.1	444.9	475.8	492.0	558.9	10.9%
- CABLE	194.7	229.7	269.8	310.5	348.6	401.2	467.6	529.0	589.8	15.3%
- TOTAL	721.2	832.3	982.4	1139.1	1307.8	1498.5	1689.3	1854.2	2048.3	12.5%
• TOTAL EXPENSES ($000,000)										
- TELEVISION	222.2	269.7	322.8	376.7	459.1	524.7	603.1	684.7	732.9	16.1%
- RADIO	208.1	236.6	271.0	313.5	351.7	406.3	445.4	475.6	533.3	12.5%
- CABLE	159.4	184.5	217.3	261.0	295.4	364.9	431.8	465.0	531.5	14.3%
- TOTAL	589.7	690.8	811.1	951.2	1106.2	1295.9	1480.3	1625.3	1797.7	13.5%
• PROFIT BEF. TAXES ($000,000)										
- TELEVISION	60.0	61.2	80.8	95.7	103.0	127.7	142.8	148.5	166.7	13.6%
- RADIO	36.2	35.1	38.0	42.7	45.4	38.6	30.4	16.4	25.6	-4.2%
- CABLE	35.3	45.2	52.5	49.5	53.2	36.3	35.8	64.0	58.3	7.7%
- TOTAL	131.5	141.5	171.3	187.9	201.6	202.6	209.0	228.9	250.6	7.2%
• PROFIT BEF. TAXES (% OF REVENUES)										
- TELEVISION	21.3%	18.5%	20.0%	20.3%	18.3%	19.6%	19.1%	17.8%	18.5%	-1.7%
- RADIO	14.8%	12.9%	12.3%	12.0%	11.4%	8.7%	6.4%	3.3%	4.6%	-13.6%
- CABLE	18.1%	19.7%	19.5%	15.9%	15.3%	9.0%	7.7%	12.1%	-	-4.9%
- TOTAL	18.2%	17.0%	17.4%	16.5%	15.4%	13.5%	12.4%	12.3%	12.2%	-4.9%
• INTEREST ($000,000)										
- TELEVISION	6.6	8.3	8.2	10.7	17.0	23.8	30.7	34.3	34.4	22.9%
- RADIO	5.6	5.7	6.8	11.4	15.4	21.5	27.8	22.7	23.9	19.9%
- CABLE	17.4	19.3	22.9	27.0	34.0	58.6	81.0	66.5	78.6	20.7%
- TOTAL	29.6	33.3	37.9	49.1	66.4	103.9	139.5	123.5	136.9	19.5%
• PROFIT BEF. TAXES AND INT. ($000,000)										
- TELEVISION	66.6	69.5	89.0	106.4	120.0	151.5	173.5	182.8	201.1	14.8%
- RADIO	41.8	40.8	44.8	54.1	60.8	60.1	58.2	39.1	49.5	2.1%
- CABLE	52.7	64.5	75.4	76.5	87.2	94.9	116.8	130.5	136.9	12.0%
- TOTAL	161.1	174.8	209.2	237.0	268.0	306.5	348.5	352.4	387.5	10.3%

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Table 1

	1976	1977	1978	1979	1980	1981	1982	1983	1984	
* RETURN ON INVESTMENT (%)										
- TELEVISION	55.1	48.8	56.5	60.2	60.5	70.3	81.2	73.3	71.2	
- RADIO	55.2	46.2	42.6	45.6	46.6	39.7	35.3	19.5	22.3	
- CABLE	28.9	33.0	34.4	29.1	30.2	25.2	29.1	28.7	-	
* EMPLOYEES										
- TELEVISION	5338	5682	5944	6365	6685	6841	6840	6905	7215	3.3%
- RADIO	7920	8107	8674	9069	9547	9693	9737	9666	10025	3.0%
- CABLE	5048	4838	5202	5569	5396	5725	5885	6385	6577	3.0%
- TOTAL	18306	18627	19820	21003	21628	22259	22462	22956	23817	2.7%
* SALARIES AND BENEFITS ($000,000)										
- TELEVISION	81.5	96.8	109.8	128.7	148.7	171.9	195.9	213.1	241.3	14.5%
- RADIO	109.4	124.9	140.7	160.7	181.0	201.8	223.1	230.7	258.0	11.3%
- CABLE	55.6	64.6	74.0	86.6	92.0	108.3	128.8	148.3	164.5	10.9%
- TOTAL	246.5	286.3	324.5	376.0	421.7	482.0	547.8	592.1	663.8	9.5%
* PROGRAM EXPENSES ($000,000)										
- TELEVISION	110.5	138.0	176.5	209.1	255.2	283.3	320.1	396.4	411.1	17.8%
- RADIO	68.9	80.0	91.3	105.9	119.1	136.4	152.6	159.9	174.0	12.3%
- CABLE	10.1	13.5	16.3	20.4	22.0	30.4	37.7	36.3	42.6	17.3%
- TOTAL	189.5	231.5	284.1	335.4	396.3	450.1	510.4	592.6	627.7	15.3%
* SALE OF AIR TIME ($000,000)										
- TELEVISION: LOCAL	76.1	88.9	103.4	121.4	140.9	157.6	166.8	173.9	194.3	12.4%
NATIONAL	142.7	172.8	207.9	253.9	290.2	339.2	393.6	421.2	474.4	16.2%
NETWORK	45.4	48.6	57.2	64.8	78.9	93.0	110.3	145.5	147.8	15.9%
TOTAL	264.2	310.3	368.5	440.1	510.0	589.8	670.9	740.6	816.5	15.1%
- RADIO: LOCAL	173.2	195.9	222.1	256.0	286.7	322.9	346.9	352.7	398.7	11.0%
NATIONAL	67.8	72.2	81.9	94.8	103.9	114.1	117.4	125.1	144.2	9.9%
NETWORK	0.5	0.6	0.9	0.7	0.8	1.2	1.6	1.6	1.5	14.7%
TOTAL	241.5	268.7	304.9	351.5	391.4	438.2	465.9	479.4	544.4	10.7%

** ROI = PROFIT BEFORE TAXES + INTEREST

NET PROPERTY, PLANT AND EQUIPMENT + AVERAGE WORKING CAPITAL

** 1984 DATA FOR CABLE = 1983 DATA TIMES AVERAGE ANNUAL GROWTH RATE BETWEEN 1976 AND 1983.

** SOURCE: STATISTICS CANADA, CATALOGUES NO. 56-204 AND 56-205.

Table 2

KEY COMPANIES ACTIVE IN THE CANADIAN BROADCASTING INDUSTRY

Group	Television Stations			Radio Stations		Cable Subscribers ('000)	Print	Others
	Station	Market	Affiliations	Stations	Market			
1. Agra Industries	-	-	-	CKO-FM-01	Ottawa, Ont.	160	Distribution in Southern Alta.	Cable in U.S.A.
				CKO-FM-02	Toronto, Ont.			
				CKO-FM-03	London, Ont.			
				CKO-FM-04	Vancouver, B.C.			
				CKO-FM-05	Calgary, Alta.			
				CKO-FM-06	Edmonton, Alta.			
				CKO-FM-07	Winnipeg, Man.			
				CKO-FM-08	Regina, Sask.			
				CKO-FM-09	Halifax, N.S.			
				CKO-FM-10	Saint John, N.B.			
				CKO-FM-11	St. John's, Nfld.			
				CKO-AM	Pointe Claire, Que.			
2. Astral-Bellevue-Pathé	-	-	-	-	-	-	-	First Choice Pay-TV Movie Distribution
3. Baton Broadcasting	CFTO-TV	Toronto	CTV	CFQC	Saskatoon	-	-	-
	CFQC-TV	Saskatoon	CTV	CFGO	Ottawa			
	CKBQ-TV	Melfort (50%)	CTV					
	+ engagement to purchase 4 TV stations in Saskatchewan							
4. Cablecasting	-	-	-	-	-	254	-	Cable in U.S.A
5. CanWest Communications	CKND-TV	Winnipeg	IND	CFOT	Sarnia	-	-	-
	CFRE-TV	Regina	IND					
	CFSK-TV	Saskatoon	IND					
	CIII-TV	Ontario	Global					
	CKVU-TV	Vancouver	IND (pending)					
6. Capital Cable	-	-	-	-	-	268	-	-
7. CFCF Inc.	CFCF-TV	Montreal	CTV	CFQR-FM	Montreal	179	-	-
	CFJP-TV	Montreal	RQS	CFCF	Montreal			
	CFAP-TV	Quebec	RQS	CFCX-SW	Montreal			
8. CHUM	CITY-TV	Toronto	IND	CHUM	Toronto, Ont.			Much Music Pay-TV
	CKVR-TV	Barrie	CBC	CHUM-FM	Toronto, Ont.	-	-	Altantic Satellite Network
	CJCB-TV	Sydney	CTV	CFRA	Ottawa, Ont.			Musak in Ontario
	CKCW-TV	Moncton	CTV	CFMO-FM	Ottawa, Ont.			
	CKLT-TV	St-John	CTV	CKPT	Peterborough, Ont.			
	CJCH-TV	Halifax	CTV	CKQM-FM	Peterborough, Ont.			
	CKCD-TV	Campbellton	CTV	CFUN	Vancouver, B.C.			
	CKAM-TV	Upsalquitch	CTV	CFRW	Winnipeg, Man.			
				CHIQ-FM	Winnipeg, Man.			
				CJCH	Halifax, N.S.			
				CIOO-FM	Halifax, N.S.			
				CKWW	Windsor, Ont.			
				CJOM-FM	Windsor, Ont.			
				CKGM	Montreal, P.Q.			
				CHOM-FM	Montreal, P.Q.			
				CKDQ	Drumheller, Alta.			
				CIBQ	Brooks, Alta.			
				CKSQ	Stettler, Alta.			
				CJYQ	St. John's, Nfld.			
				CKIX-FM	St. John's, Nfld.			
				CHYQ	Musgravetown, Nfld.			
				CFYQ	Gander, Nfld.			
				CIYQ	Grandfalls, Nfld.			
				CKYQ	Grand Bank, Nfld.			
				CFIQ	Harbour Grace, Nfld.			

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Table 4 (continued)

KEY COMPANIES ACTIVE IN THE CANADIAN BROADCASTING INDUSTRY

Group	Television Stations			Radio Stations		Cable Subscribers ('000)	Print	Others
	Station	Market	Affiliations	Stations	Market			
9. Cogeco Inc.	CKTM-TV	Trois-Rivières	CBC	-	-	38	-	-
	____-TV	Trois-Rivières	RQS					
	CKSH-TV	Sherbrooke	CBC					
	____-TV	Sherbrooke	RQS					
10. Communications Radiomutuel	-	-	-	CJMS	Montreal	-	-	Radio News Network
				CJRP	Quebec			
				CJTR	Trois-Rivières			
				CJRC	Hull-Ottawa			
				CKMF-FM	Montreal			
				CHIK-FM	Quebec			
11. CUC	CFCL-TV	Timmins	CBC	CHCL	Timmins	228	-	Life Channel
	CITO-TV	Timmins	CTV	CFLK	Kapuskasing			Specialty Service
				CFLH	Hearst			
	CHNC-TV	Sudbury	CBC	CHNO	Sudbury			
	CICI-TV	Sudbury	CTV	CFBR	Sudbury			
				CJMX-FM	Sudbury			
	CHNB-TV	North Bay	CBC	CHUR	North Bay			
	CKNY-TV	North Bay	CTV					
	CHRO-TV	Pembroke	CBC	CHRO	Pembroke			
				CKLW	Windsor			
				CHEZ-FM	Windsor			
				CKNR	Elliott Lake			
				CKNS	Espanola			
				CJNR	Blind River			
12. Irving	CHSJ-TV	Saint John/ Moncton, N.B.	CBC	CHSJ	Saint John		Saint John Telegraph-Journal Saint John Evening Times-Globe Moncton Times Transcript Fredericton Gleaner	
	CHCN-TV	Newcastle	CBC					
	CHCR-TV	Campbellton	CBC					
	CHMT-TV	Moncton	CBC					
13. London Free Press/ Blackburn Group	CFPL-TV	London	CBC	CFPL	London		London Free Press Penny Saver (London)	
				CFPL-FM	London			
	CKNX-TV	Wingham	CBC	CKNX	Wingham			
				CKNX-FM	Wingham			
14. Maclean Hunter	CFCN	Calgary	CTV	CKEY	Toronto	353	Maclean's Financial Post Châtelaine Toronto Sun Edmonton Sun Calgary Sun Specialty magazines	Cable in USA
				CKOY	Ottawa			
				CKBY-FM	Ottawa			
				CFCO	Chatham			
				CHYM	Kitchener			
				CKGL-FM	Kitchener			
				CFVP-SW	Calgary			
				CJAY-FM	Calgary			
				CFCN	Calgary			
				CJAY-FM-1	Banff			
				CJAX-FM	Edmonton			
				CHNS	Halifax			
				CHNX-SW	Halifax			
				CHFX-FM	Halifax			

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KEY COMPANIES ACTIVE IN THE CANADIAN BROADCASTING INDUSTRY

Group	Television Stations			Radio Stations		Cable Subscribers ('000)	Print	Others
	Station	Market	Affiliations	Stations	Market			
15. Moffat Communications	CKYB-TV	Brandon (50%)	CTV	CKY	Winnipeg, Man.	150	-	Cable in USA
	CKYD-TV	Dauphin (50%)	CTV	CITI-FM	Winnipeg, Man.			
	CKY-TV	Winnipeg	CTV	CKLG	Vancouver, B.C.			
	CKYP-TV	The Pas	CTV	CFOX-FM	Vancouver, B.C.			
	CKYF-TV	Flin Flon	CTV	CHAB	Moose Jaw, Sask.			
	CKYT-TV	Thompson	CTV	CKXL	Calgary, Alta.			
	CKYS-TV	Snow Lake	CTV	CHFM-FM	Calgary, Alta.			
	CKYA-TV	Fisher Branch	CTV	CHED	Edmonton, Alta.			
				CHAM	Hamilton, Ont.			
16. Pathonic/Telecapitale	CFCM-TV	Québec	TVA	-	-	-	-	-
	CKMI-TV	Québec	CBC					
	CFER-TV	Rimouski	TVA					
	CHEM-TV	Trois-Rivières	TVA					
	CHLT-TV	Sherbrooke	TVA					
	CIMT-TV	Rivière-du-Loup	TVA					
17. Radio-Nord	CFEM-TV	Rouyn/Noranda	TVA	CHLM-FM	Rouyn/Noranda			
	CKRN-TV	Rouyn	CBC	CHAD	Amos			
	CHOT-TV	Ottawa	TVA	CKLS	LaSarre			
	CJDG-TV	Val D'Or	CBC	CKVD	Val D'Or			
				CKRN	Rouyn			
18. Rogers Telecommunications	-	-	-	CFTR	Toronto	1,296	-	Cable in U.S.A.
				CHFI-FM	Toronto			Cantel
				CKJD	Sarnia			
				CJFI-FM	Sarnia			
				CHYR	Leamington			
19. Selkirk	CHCH-TV	Hamilton	IND	CKWX	Vancouver, B.C.	180	Indirectly	Cable in the U.S.A.
	CFAC-TV7	Lethbridge	IND	CKFX-SW	Vancouver, B.C.		through Southam:	Advertising sale
	CFAC-TV	Calgary	IND	CKKS-FM	Vancouver, B.C.		TV Times	operations.
	CHBC-TV	Kelowna (50%)	CBC	CJVI	Victoria, B.C.		Financial Times	Cancom.
	CHAN-TV	Vancouver	CTV	CJIB	Vernon, B.C.		Montreal Gazette	
	CHEK-TV	Victoria	CTV	CJEV	Elkford, B.C.		Ottawa Citizen	
				CJOC	Lethbridge, Alta.		Hamilton Spectator	
				CILA-FM	Lethbridge, Alta.		Windsor Star	
				CJPR	Blairmore, Alta.		Edmonton Journal	
				CFAC	Calgary, Alta.		Calgary Herald	
				CFHC	Canmore, Alta.		Vancouver Province	
				CJCA	Edmonton, Alta.		Toronto Star (partly)	
				CFGP	Grand Prairie, Alta.		+ others	
				CFNY-FM	Brampton, Ont.			
				CIRK-FM	Edmonton, Alta.			

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Table 2 (continued)

KEY COMPANIES ACTIVE IN THE CANADIAN BROADCASTING INDUSTRY

Group	Television Stations			Radio Stations		Cable Subscribers ('000)	Print	Others
	Station	Market	Affiliations	Stations	Market			
20. Standard Broadcasting	CJOH-TV	Ottawa	CTV	CFRB	Toronto	150	-	Cable in the U.S.A.
				CKFM-FM	Toronto			Radio News Service
				CFRX-SW	Toronto			Musak in Eastern Canada
				CKTB	St. Catherines			
				CJQR-FM	St. Catherines			
				CJSB	Ottawa			
				CJAD	Montreal			
				CJFM-FM	Montreal			
21. Telemedia Corp.	-	-	-	CKTS	Sherbrooke	-	TV Guide,	Radio News Service
				CKCH	Hull		TV Hebdo,	Radio Sports Network
				CIMF-FM	Hull		Canadian Living,	Cancom
				CHLN	Trois-Rivières		etc.	Cantel
				CKCV	Quebec			
				CKAC	Montreal			
				CITE-FM	Montreal			
				CHLT	Sherbrooke			
				CITF-FM	Quebec			
				CJCS	Stratford			
				CKGB	Timmins			
				CFTI-FM	Timmins			
				CFCH	North Bay			
				CKAT-FM	North Bay			
				CKMP	Midland			
				CFOR	Orillia			
				CJCL	Toronto			
				CFYN	Sault Ste. Marie			
				CHAS-FM	Sault Ste. Marie			
22. Thomson Newspaper						55 (indirectly)	Toronto Globe & Mail Winnipeg Free Press + others in small markets	
23. Télé-Métropole	CFTM-TV	Montréal	TVA					
	CJPM-TV	Chicoutimi	TVA					
	Minority position in Pathonic/Telecapitale							
23a. Indirectly through a pending transaction,* with Power Corporation:				CHEF	Granby		La Presse, La Tribune, Le Nouvelliste, La Voix de l'Est, eight regional weeklies	
23b. Indirectly through a pending transaction,* with Paul Desmarais and/or Claude Pratte:	CHAU-TV	Carleton	TVA	CKSM	Shawinigan			
	CKWS-TV	Kingston	CBC	CKWS	Kingston			
	CHEX-TV	Peterborough	CBC	CFMK	Kingston			
	CKRS-TV	Jonquière/ Chicoutimi		CFLP	Rimouski			
				CHEX	Peterborough			
				CFPM-FM	Peterborough			
				CKBB	Barrie			
				CKCB	Collingwood			
				CKRS	Jonquière			

* Denied in April 1986 by the CRTC.

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Table 2 (continued)

KEY COMPANIES ACTIVE IN THE CANADIAN BROADCASTING INDUSTRY

Group	Television Stations			Radio Stations		Cable Subscribers ('000)	Print	Others
	Station	Market	Affiliations	Stations	Market			
24. Vidéotron	-	-	-	-	-	740	-	-
25. WIC Western International	CHEK-TV	Victoria (63.2%)	CTV	CKNW	New Westminster, B.C.	-	-	Radio News Service
	CHAN-TV	Vancouver (63.2%)	CTV	CFMI-FM	New Westminster, B.C.			Cancom
	CHBC-TV	Kelowna (31.6%)	CBC	CHQR	Calgary, Alta.			
	CHKL-TV	Kelowna (63.2%)	CTV	CJOB	Winnipeg, Man.			
	CHKM-TV	Kamloops (63.2%)	CTV	CKIS-FM	Winnipeg, Man.			
	CITM-TV	100 Mile House (63.2%)	CTV	CHML	Hamilton, Ont.			
	CIPG-TV	Prince George (63.2%)	CTV	CKDS-FM	Hamilton, Ont.			
	CKCK-TV	Oliver (63.2%)	CTV	CFGM	Richmond Hill, Ont.			
	CKSR-TV	Santa Rosa (63.2%)	CTV	CILQ-FM	Toronto, Ont.			
	CKTN-TV	Trail (63.2%)	CTV					

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- Partly as a result of past government policies, few groups own multiple media in the same markets. Generally, companies active in more than one industry sector have tended to diversify geographically. The groups with multi-media concentrated activities are Irving, CFCF Inc., Télémétropole/Power Corp. in a pending transaction, Southam-Selkirk-Torstar and London Free Press.

  In the television field, the principal companies are:

  - Baton Broadcasting: the anchor CTV station in Toronto

  - CanWest Communications: a string of independent stations in major markets

  - CFCF Inc: the anchor CTV station in Montreal and a new French network in Quebec

  - CHUM: six CTV affiliates, one CBC affiliate, one independent

  - Cogeco: affiliated stations in medium or small markets

  - CUC: affiliated stations in medium or small markets

  - Moffat Communication: affiliated stations in medium or small markets

  - Radio-Nord: affiliated stations in medium or small markets

  - Telecapitale/Pathonic: affiliated stations in medium or small markets

  - WIC Western International: affiliated stations in medium or small markets

In the radio field, the principal companies are:

- Agra Industries: a news radio network across Canada
- CHUM: about two dozen independent stations across Canada
- Communications Radio Mutuel: a radio network in Quebec
- CUC: a dozen independent stations across Canada
- Maclean Hunter: a dozen independent stations across Canada
- Moffat Communications: a string of independent stations across Canada
- Telemedia Corp: a radio network in Quebec, and a string of independent stations in Quebec
- WIC Western International: independent stations in major Canadian markets

In cable television, the key companies are:

- Cablecasting
- Capital Cable
- CUC
- Maclean Hunter
- Rogers Telecommunications
- Videotron

Other important companies are:

- Astral-Bellevue-Pathé: a pay-TV network
- Thomson Newspapers: a small interest in cable television, and a string of newspapers across Canada

2. Broadcasting Units and Employment

- The number of reporting units in the three sectors has evolved differently for television than for radio and cable. The average annual growth rate has been slower for television, 3.4% compared to 5.4% and 5.8% for radio and cable respectively. Figures indicate that there were 65 television reporting units from 1976 to 1978, then 73 to 75 reporting units between 1979 and 1982. These two periods were followed by successive increases in 1983 and 1984. During the 1976-1984 period, the number of radio and cable reporting units has shown a steady growth from year to year.

  In 1984, out of 932 reporting broadcasting units, there were 85 for television, 432 for radio, and 415 for cable.

- In terms of employment, the three sectors have increased their number of employees at an average annual rate of 3.0%. Employment grew steadily for the three sectors and the relative shares were stable between 1976 and 1984. Thus in 1984, total employment was up to 23 817 people: television represented 30.3% of total; radio, 42.1%; and cable, 27.8%. This is illustrated in Figure 7.

- In relation to employment, the three sectors have spent $663.8 million in salaries and benefits in 1984, about 2.7 times what was spend in 1976. In 1984, television accounted for 36.4% of salaries and benefits while employing 30.3% of total people in the broadcasting industry. With 38.9% of salaries and benefits, radio was spending proportionaly less than its level of employment (at 42.1%). The same holds for cable, but to a lesser extent. This is shown in Figure 8.

The television share of total industry salaries and benefits increased from 33.1% to 36.4% during the period under study. This reflected an average annual growth rate of salaries and benefits paid by television higher than radio and cable, i.e. 14.5% versus approximately 11%.

- During the 1976-1983 period, cable subscribers have increased on average at 6.4% annually. Since 1981, the penetration level has stabilized at about 75% of houses where cable service is available. For pay-TV, the penetration level is about 14 percent.

3. Sources of Revenues

For the broadcasting industry, there are basically four sources of revenues:

- advertising (local, national, network);
- subscription fees;
- government subsidies;
- production, syndication and other revenues.

The evolution of the three sectors since 1976 is described in the following paragraphs.

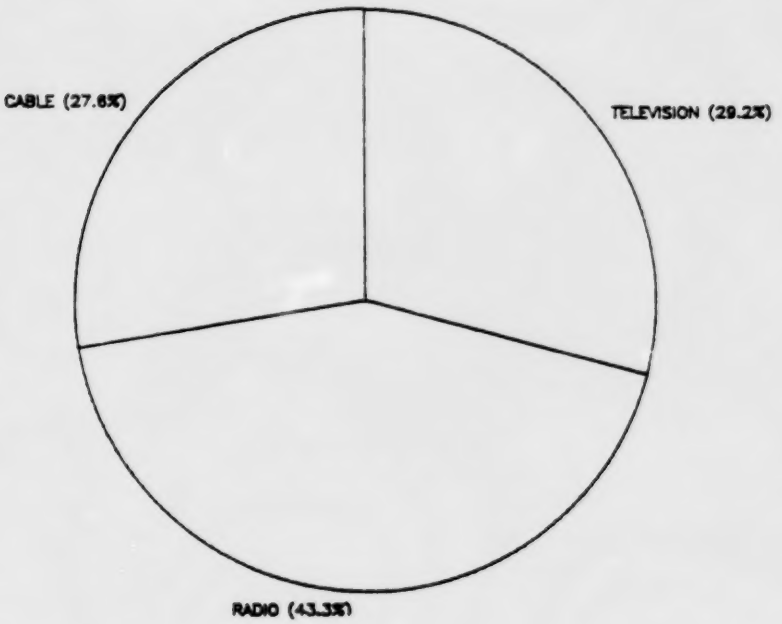
- Globally, the total revenues of the broadcasting industry have increased at a rate of 12.5% per year since 1976, growing from $721.2 million to $2,048.3 million in 1984 (see Figure 9).

Figure 7

BROADCASTING INDUSTRY EMPLOYMENT

(1976 and 1984)

1976: total number of employees = 18306



1984: total number of employees = 23817

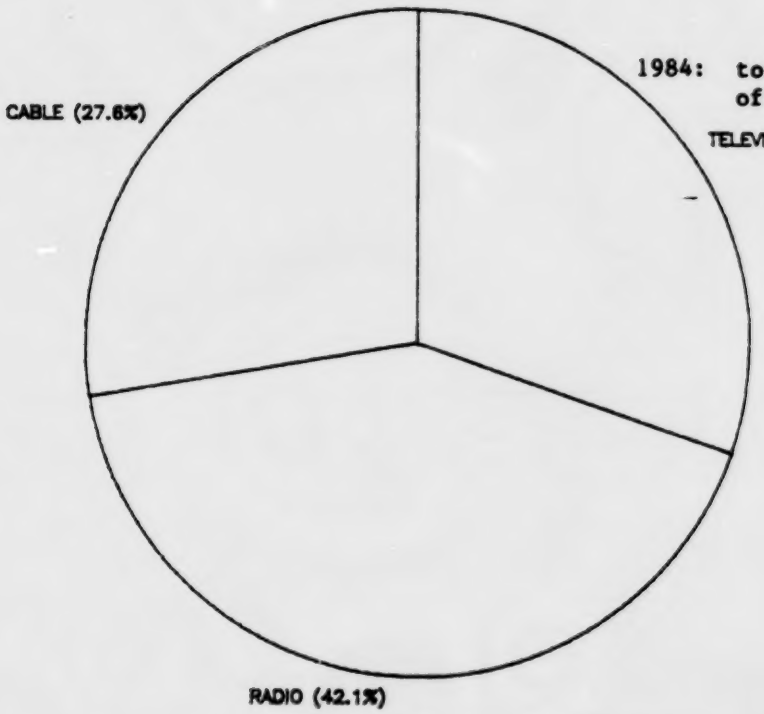


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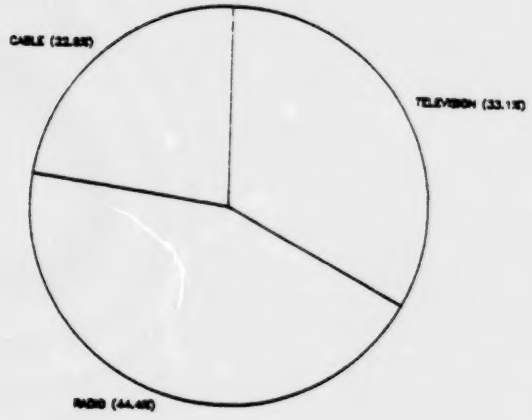
Figure 8

BROADCASTING INDUSTRY SALARIES AND BENEFITS

(1976 and 1984)

1976: total salaries and benefits = $246.5 million



1984: total salaries and benefits = $663.8 million

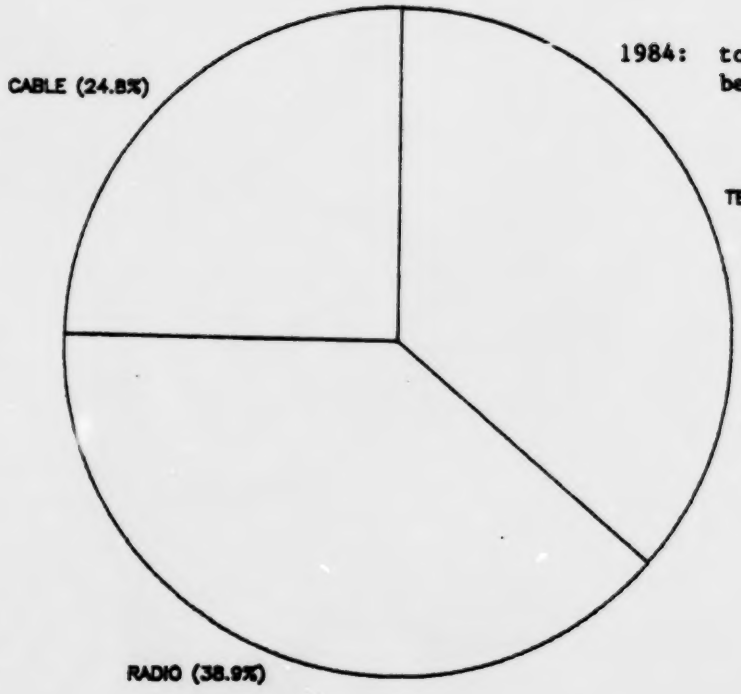


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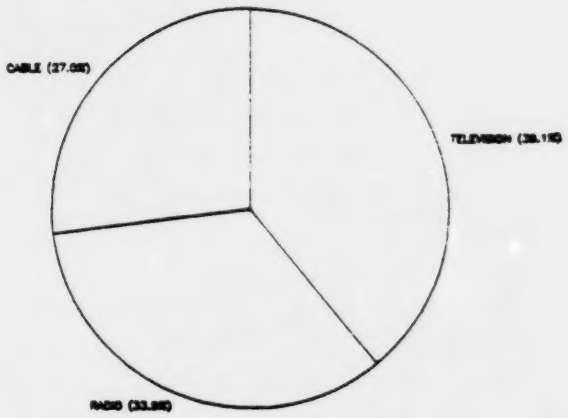
Figure 9

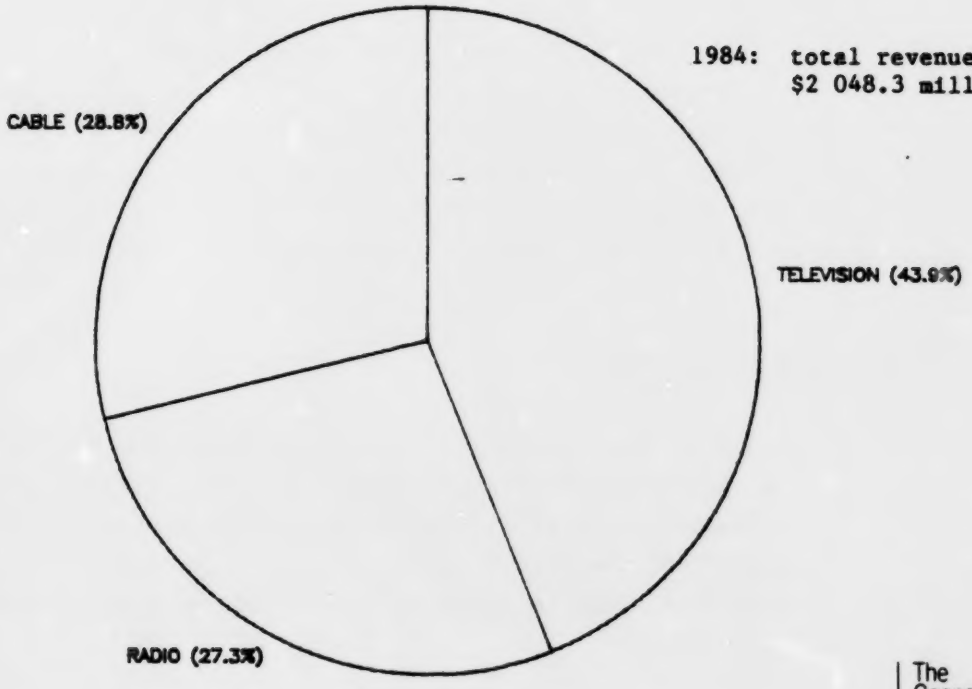
BROADCASTING INDUSTRY REVENUES

(1976 and 1984)

1976: total revenues = $721.2 million



1984: total revenues = $2 048.3 million



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- The relative share of revenues going to television has increased from 39.1% to 43.9% while radio's share has dropped from 33.9% to 27.3%. The cable share of revenue increased by a small amount.

- This is mostly explained by the ability of television to obtain more advertising revenues from national and network sources as well as increasing its share of revenues from local sources (where radio earns more than 70% of its revenues).

  Figure 10 indicates that television's share of national and network advertising revenues grew from 73.4% to 81.0% between 1976 and 1984. Figure 11 indicates that radio has lost a small part of local advertising revenues. These two figures express the growing importance of television as an advertising media compared to radio. They also show the importance of the national-network markets for television as sources of revenues, and of the local market for radio.

- The revenue structure of public television and radio, namely CBC, differs significantly from private television and radio. In contrast to the private sector which relies mostly on sale of airtime, CBC gets most of its operating revenues from government funding. In 1984, government subsidies amounted to more than $809 million, about 86% of total expenses. The situation was similar in 1976 when subsidies accounted for $334 million, or about 85% of total expenses.

4. Expense Items

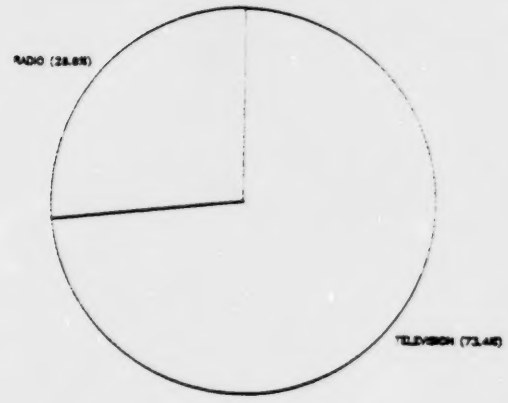
Broadcasting expenses are aggregated under four different categories by Statistics Canada: program, technical, sales and promotion, as well as administration and general. In the context of the present study, attention is focussed on program expenses. This is discussed in the following paragraphs.

Figure 10

NATIONAL AND NETWORK ADVERTISING REVENUES

(1976 and 1984)

1976: revenues = $256.4 million



1984: revenues = $767.9 million

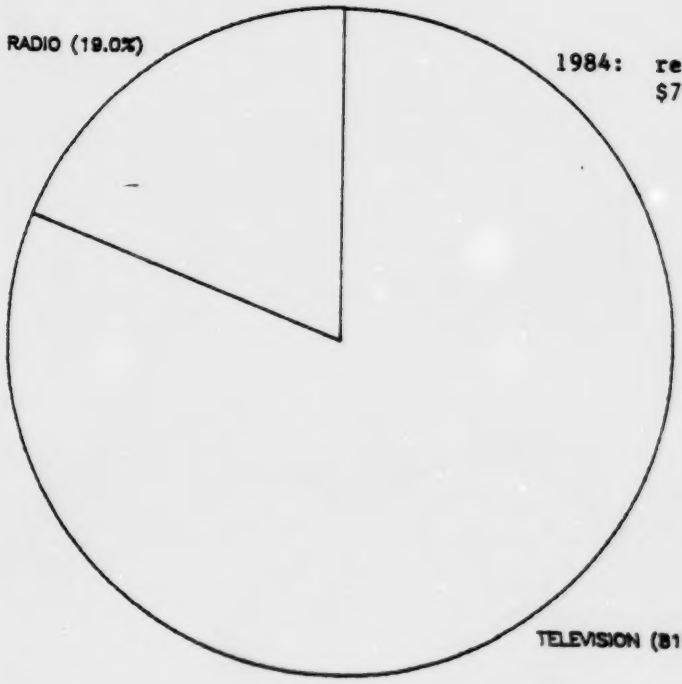


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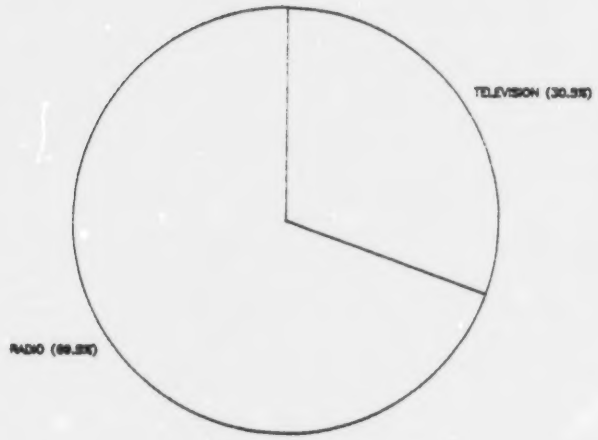
Figure 11

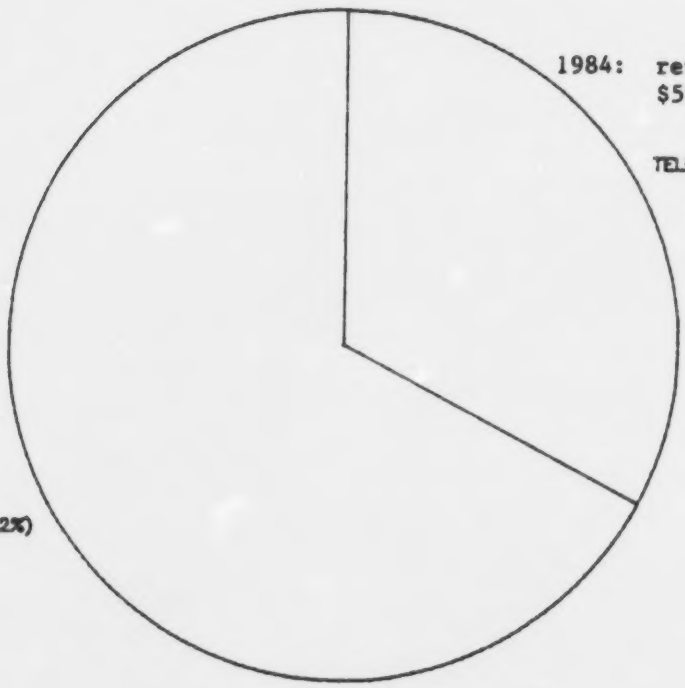
LOCAL ADVERTISING REVENUES

(1976 and 1984)

1976: revenues = $249.3 million



1984: revenues = $593.0 million



- Total industry expenses grew at an annual rate of 12.5% between 1976 and 1984; they went from $589.7 million to $1,797.7 million. The relative expense performance of each sector was directly proportional to their revenue increases, i.e. television had the highest expense increase with 16.1%, cable followed with 14.3%, and radio was able to hold expense growth at 12.5%. One result of that has been an increase in the television and the cable shares of total expenses (see Figure 12).

- The same result can be observed with program expenses where television and cable have experienced an annual growth rate of nearly 18% compared to 12% for radio. In 1984, program expenses reached $627.7 million for the industry (35% of total expenses). Television had the largest share of program expenses, 65.5%, representing an increase relatively to 1976 when television had a 58.3% share (see Figure 13).

- In 1984, program salaries and benefits accounted for $293 million ($25 million being fees paid to non-staff talent*). Television was responsible for 52%, radio for 48%, and cable had an unsignificant share. The amount of $268 million paid in program salaries and benefits represented 50.1% of total program expenses and 58.7% of total salaries and benefits paid by television and radio broadcasters. It was not possible to distinguish fees paid to creative staff talent versus fees paid to other staff. Nevertheless, these figures give an indication of the salary costs of program people.

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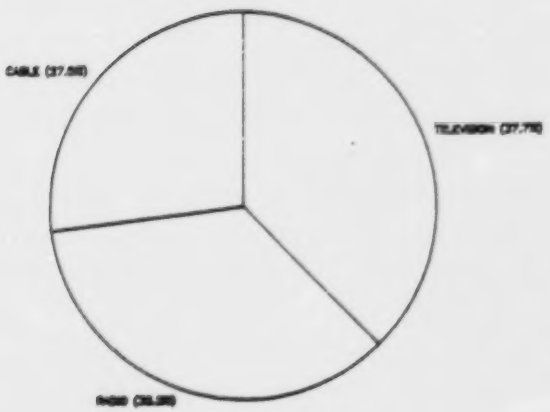
* Fees paid to the freelance performers contributing on an occasional or ongoing basis and not considered regular full-time employees.

Figure 12

BROADCASTING INDUSTRY TOTAL EXPENSES

(1976 and 1984)

1976: total expenses = $589.7 million



1984: total expenses = $1 797.7 million

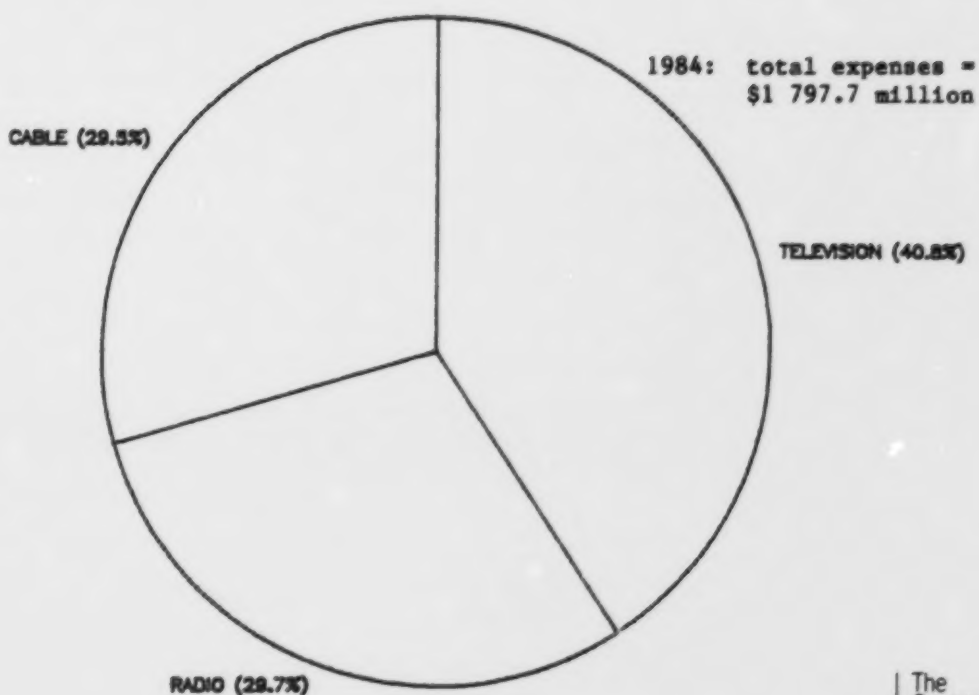


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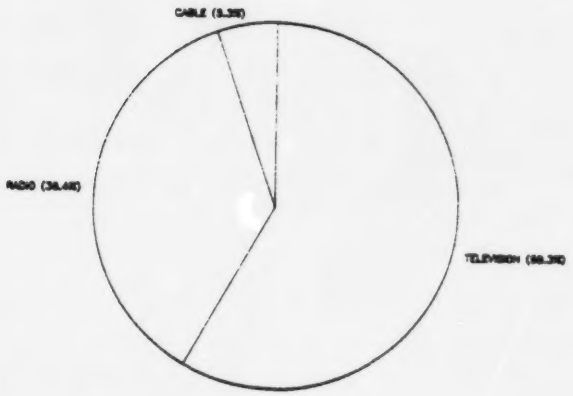
Figure 13

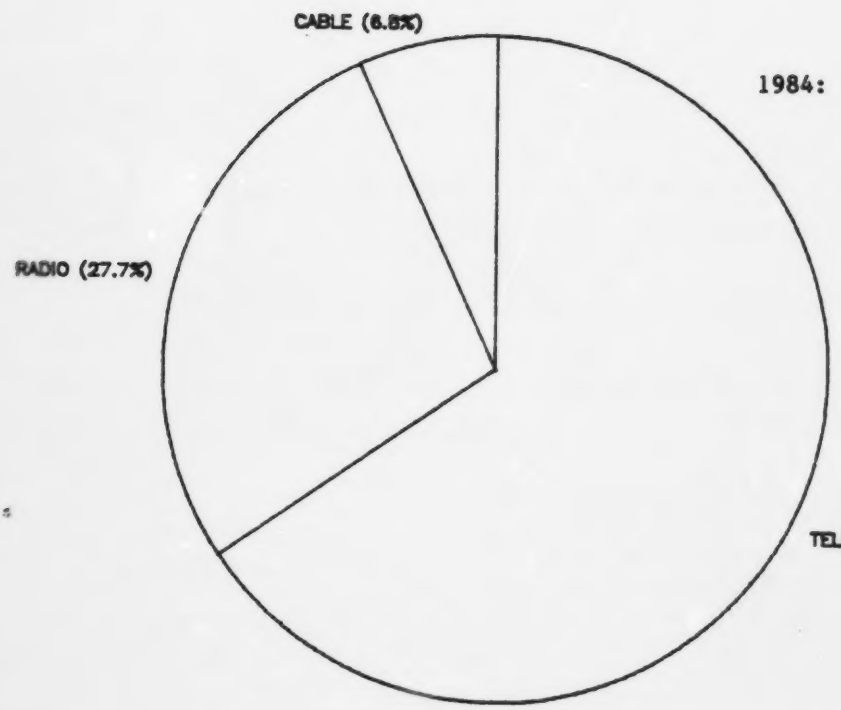
BROADCASTING INDUSTRY PROGRAM EXPENSES

(1976 and 1984)

1976: total program expenses = $189.5 million



1984: total program expenses = $627.7 million



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- The other expenses incurred by broadcasters were related to technical, selling, general and administration. They accounted for $1,170 million (65% of total) in 1984 and for $400 million in 1976 (67.9% of total), an annual increase of 14.4%.

5. Profitability

In our economic system, profitability is a residual after all operating and financing expenses are deducted from revenues. Profitability is both a result and a yardstick for a variety of factors:

- barriers to entry in the field (licensing, etc.);
- degree of competition within the industry (number of outlets, etc.);
- degree of competition from other sources (print, etc.);
- quality of product and service (programs, etc.);
- general economic conditions and market demand (GNP, retail sales, etc.);
- ability to deal with regulatory constraints and policies (formats, content, etc.);
- bargaining position with clients (advertisers, etc.);
- bargaining position with suppliers (employees, artists, etc.);
- quality of management;
- others.

Profitability can be expressed in a variety of ways, each one representing a slightly different aspect of the overall performance. Among the major indicators of profitability are:

- return on assets: profit as a percentage of total company assets. This indicates how well the operations are run, and how efficiently assets are used.

- return on equity: profit as a percent of company equity. This indicates both efficiency in operations and the effects of the financial structure.

- total return to shareholders: dividends received by shareholders plus capital appreciation as a percentage of their initial investment. This measure includes efficiency of operations, effects of the financial structure and market appreciation of the share or property.

These first three measures are very important as they determine where funds should be invested or withdrawn. Generally speaking, these measures should be comparable between industries and indicate their relative health. A fourth measure can also be used:

- return on sales: profit as a percentage of total company revenues. This measure provides an indication of the margins available to reward capital. These margins vary considerably between industries, without reflecting on their financial health. Margins will generally vary from around 1.5 percent in food retailing to 5-10 percent in manufacturing to more in certain fields, including broadcasting.

All the four indicators described above can be expressed before or after income taxes. Again, these two alternatives present slightly different aspects of the same reality. The after tax alternative factors in the ability to take advantage of various government tax structures and incentives to maximize net return. Financing charges can also be taken into account to characterize the financial performance of broadcasters.

The data available from Statistics Canada does not permit to use the first three indicators for the radio and the television industries separately. But, in their report to the Task Force, Babe and Associates estimated working capital attributable separately to television and to radio. Working capital at the beginning and end of year for radio plus television was averaged, and the result prorated by the ratio of television's advertising revenues to total broadcast advertising revenues in calculating working capital for television. A similar procedure was followed for radio. Thus, Babe and Assoc. were able to use the first indicator, return on assets, as a measure of the return on investment (ROI) in their report. Their results are included in the present report. We also use another measure: return on sales before income taxes. This information is based on Statistics Canada data.

- Profitability before taxes expressed as return on sales has evolved differently for each sector (this data was included in Table 1). In 1976, television showed a 21.3% return on sales; radio, 14.8%; and cable 18.1%. During that year, the industry as a whole had a 18.2% return on sales, with total profit before taxes of $131.5 million and total revenues of $721.2 million.

After 1976, television profit before taxes increased at an annual rate of 13.6%; radio profit before taxes declined at a rate of 4.2%; and cable had an annual growth of 7.7%. The result is shown in Figure 14 where each sector's share of profit is illustrated for 1976 and 1984. Between these years, television was able to gain significantly while radio declined.

- When interest payments are added to profit before taxes, the cable sector shows a much better performance (see Figure 15). This reflects the relatively higher interest payments related to the purchase of fixed assets the cable sector had to support in order to pursue the expansion of its network accross Canada and other investments.

- Figure 16 illustrates how return on investment (ROI) has evolved for each sector of the industry. While ROI has been rather stable in the cable sector, the television had an outstanding performance over the years, reaching a level of 81.2% in 1982. But, the most striking result is the declining performance of the radio sector. In 1976, ROI was equal for television and radio; radio has seen a significant ROI decline since 1980. In 1984, ROI was 71.2% for television, 22.3% for radio and about 29% for cable*.

D. CONCLUSION

This chapter has:

- presented key interrelationships between the elements of the Canadian broadcasting industry;

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* ROI for cable is estimated on the basis of 1982 and 1983 results.

- profiled the largest companies active in the Canadian broadcasting industry;

- sketched the key quantitative and financial dimension of the television, radio and cable establishments.

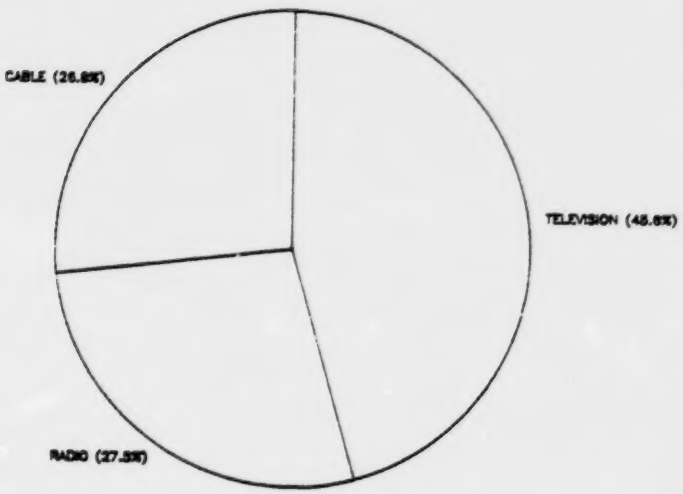
The following chapters will analyze the impact of selected policy changes.

Figure 14

SHARE OF PROFIT BEFORE TAXES

(1976 and 1984)

1976: total profit = $131.5 million



1984: total profit = $250.6 million

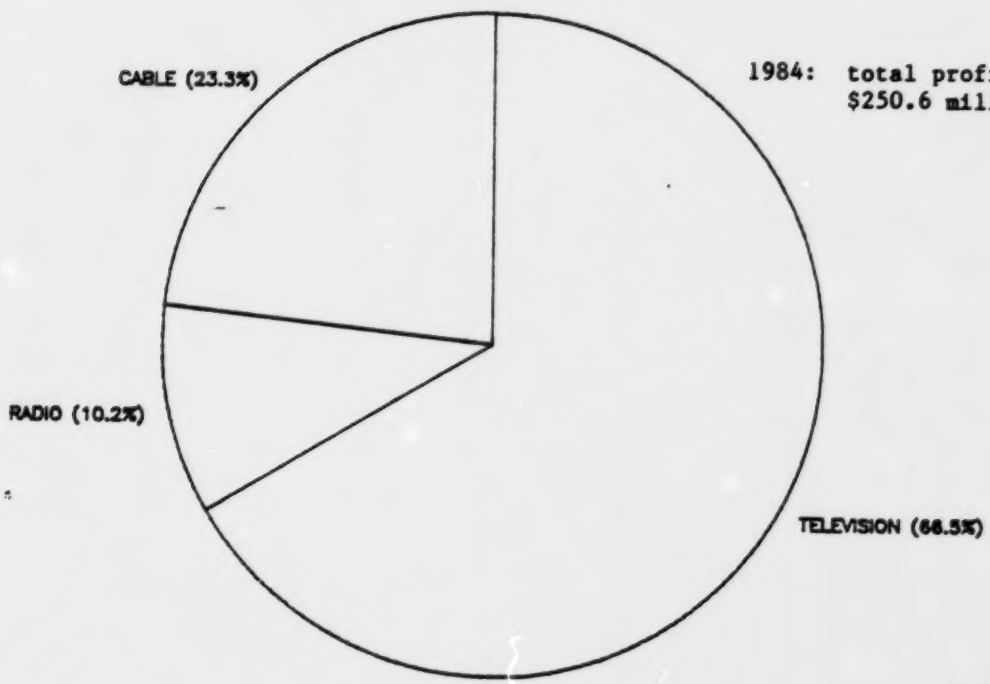


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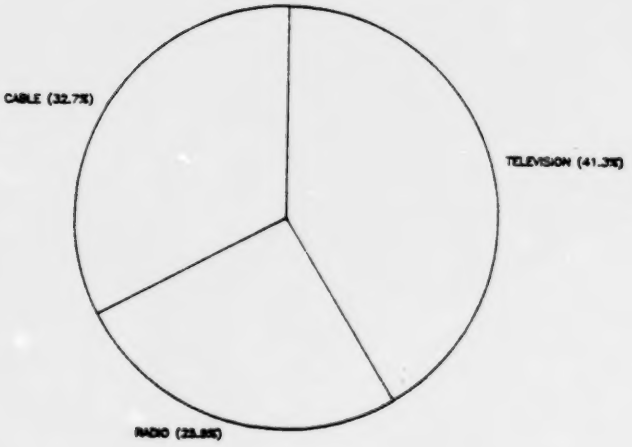
Figure 15

SHARE OF PROFIT BEFORE TAXES AND INTEREST

(1976 and 1984)

1976: total profit = $161.1 million



1984: total profit = $387.5 million

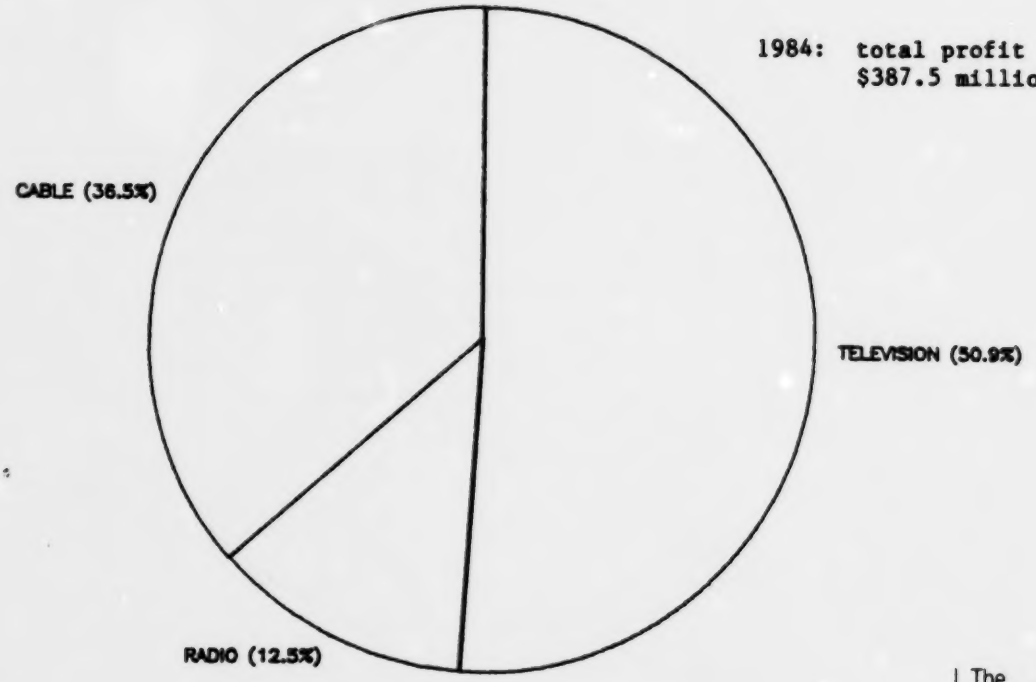


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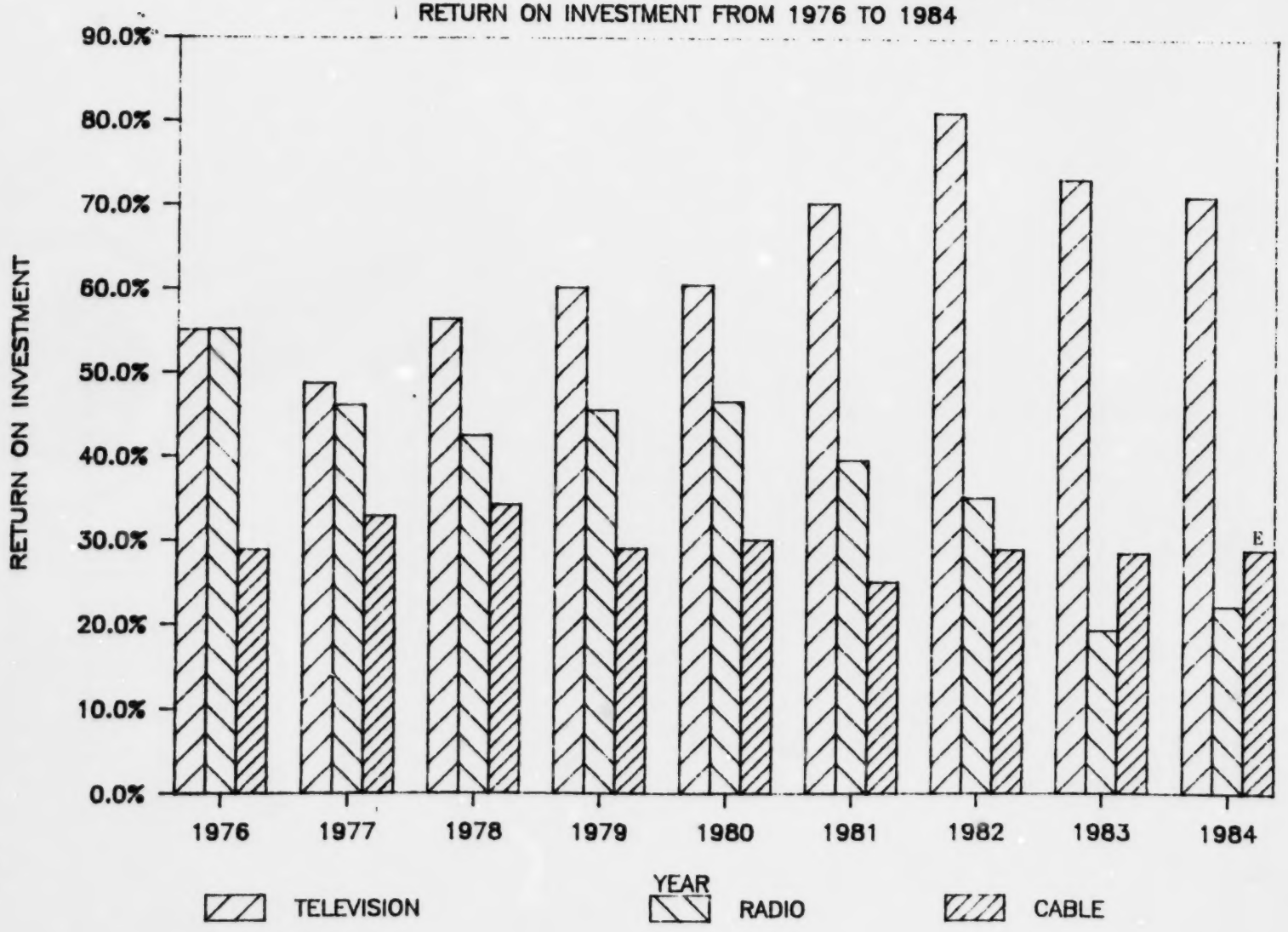
Figure 16

CANADIAN BROADCASTING INDUSTRY

RETURN ON INVESTMENT FROM 1976 TO 1984



E = Estimated

ROI = Profit before income taxes and interest
Net property plant and equipment + average working capital

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III. ECONOMIC IMPACT ANALYSIS OF SIGNIFICANT POLICY CHANGES

A. INTRODUCTION

The economic impact analysis attempts to measure the effects of the proposed policy options in terms of their impact on both the industry and the economy as a whole in terms of additional investment, employment levels, output, taxes and other economic elements. An economic impact analysis is most straightforward when both the inputs and the outputs of the policy can be expressed in quantitative terms.

The economic impact analysis is more complex when both input and output information are of qualitative nature, and when very narrow industry sectors or softer, qualitative information is used. For example, qualitative inputs include: modifying government regulations, restructuring an industry, etc. Examples of qualitative outputs are: audience satisfaction, incentives for disaffiliation from the public networks. A narrow industry sector would be radio stations in 'B' markets across Canada; a narrow expense category would be non-staff creative talent in broadcasting.

In this study, the economic impact analyses are quite complex for two principal reasons: the diversity of policy options considered by the Task Force for both radio and television broadcasting; and the number and complexity of variables to be measured: some are quantitative and some are qualitative.

B. METHODS

Three approaches were used to analyze the policy options discussed in this study:

1. Microeconomic Qualitative Analysis

   Key links and impacts are schematized to indicate interrelationships. Assumptions are made about the extent of change

brought about by the defined policies, and hence the principal effects are identified.

2. Microeconomic Quantitative Analysis

This form of analysis attempts to quantify the impacts at the industry level. The analysis is based, as appropriate, on a review of the Task Force background papers and the general literature, on specific case analyses, on selected industry interviews and on general comparisons with experience in other jurisdictions.

The development of a microeconomic quantitative model of the television or radio broadcasting industries was discarded for two reasons:

- first, building a formal microeconomic model is justified only when it will be reused extensively over time. The time-limited mandate of the Commission did not justify this exercise;

- second, a model has to be designed with an eye on the key input and output variables to be measured. A stable environment with a small number of key variables is best suited. By contrast, the Task Force considered numerous and complex variables, as well as a wide diversity of policy options.

3. Macroeconomic Quantitative Analysis

Macroeconomic analysis quantifies the impact of the proposed policy option on the economy as a whole. For this analysis, we used the Statistics Canada input-output econometric model.

The input-output model provides a detailed profile of the Canadian and provincial economies' structure by identifying 1979 production and consumption relationships, e.g. in TV production, the model shows how various factors of production (raw materials, labour and intermediate goods) are combined to produce outputs and thereby indicates the interdependence between various economic sectors.

By using the model, one can compare the effect on the economy of different levels of expenditures with differing input requirements. The approach recognizes that different investments will have varied multiplied impacts, depending on the specific linkages of the components and the import content of the expenditures.

The impacts are measured in terms of employment, income and output generation. In general, the direct impact of a specific expenditure will be less than the initial expenditure because most activities require some imports, particularly in the TV and radio broadcasting industry. In addition, the respending of incomes is also measured. The total effect of expenditures on a specific project is thus measured in three ways:

- Direct impact: the direct inputs purchased for the project;
- Indirect Impact: the inputs purchased by all producing industries which supply inputs to the project.
- Induced Impact: the impact of the increased income generated by the project which encourages consumer spending, plant expansion and increased employment in the project.

These are more fully described in Appendix I. Thus, the total impact of a project will generally be greater than its direct expenditure. These are called the multiplier or ripple effects.

The analyses undertaken in this study are aimed at providing preliminary assessment of the viability of the options and whether they therefore warrant further study. The micro economic, industry-level analysis of options is, in the absence of sufficient quantitative or qualitative data, often based on reasonable assumptions. In all cases, these assumptions are clearly identified, and often ranges are used to provide high and low estimates. The use of the input-output model for analysis of the macroeconomic impacts also has its limitations. These are presented in greater detail in Appendix I.

IV. SELECTED POLICY CHANGES UNDER CONSIDERATION

Eight policy proposals have been suggested by the staff of the Task Force for economic evaluation. These policies can be grouped by broadcast media of radio and television, as follows:

Radio

1. Encourage network affiliations of smaller radio stations.

2. Remove restrictions on commercial time for both AM and FM stations.

3. Increase Canadian recorded content to stimulate production in the sound recording industry.

Television

4. Increase production of Canadian television programs.

5. Offer tax incentives to advertisers on selected Canadian television programs.

6. Create a strong third national English-language private television network.

7. Establish Canadian superstations.

8. Purchase residual rights of U.S. network programs for Canada and sell advertising in Canada.

Each of these policy proposals is discussed and evaluated in the following sections.

A. THE RADIO BROADCASTING INDUSTRY

A key issue facing the radio broadcasting industry is declining profitability. Two of three radio options address this issue.

Table 3 shows the change in radio profitability by revenue group over the period 1976 to 1984. While the number of units and revenue groups has changed over time, each group consists of approximately 10 per cent of all private radio reporting units, or 43 units in 1984. By 1984, only the 3 largest revenue groups, that is, with revenues in excess of $1.34 million, showed a reasonable level of profitability based on profits before income taxes as a per cent of total revenue. Of the remaining 6 revenue groups, 5 showed a loss, and one was marginal.

The profitability problem can be traced to several factors. Key among them is the classic revenue/cost squeeze. While revenues rose at an average annual rate of 10.9 per cent during the 1976 to 1984 period, expenses rose even faster, at an average annual rate of 12.5 per cent. At the same time, the number of broadcasting units was increasing with a large number of new licences being granted during the 1978 to 1981 period. Thus, when revenues and expenses are reviewed on a per unit basis, their growth rates have been more modest. Revenues rose from $860,000 per unit in 1976 to $1.3 million by 1984, averaging a growth rate of 5.3 per cent per year. Expenses rose faster at a 6.6 per cent annual rate from $750,000 per unit in 1976 to $1.23 million per unit in 1984. Importantly, both have increased at rates well below the rate of inflation which averaged 8.2 per cent annually over the same period.

The revenue share shifts illustrated in Figure 9, show radio's declining share of total industry revenues from 34 per cent in 1976 to 27 per cent by 1984. The sale of commercial air time is the

Table 3

Profitability of the privately owned radio broadcasting industry, by revenue group, 1976-1984

	1984 Revenue Group	1976	1977	1978	1979	1980	1981	1982	1983	1984
Group 1	($3.12 million and over)	24.4%	22.1%	21.3%	23.0%	21.9%	18.8%	18.5%	15.1%	13.5%
Group 2	($1.79 - $3.12 million)	15.3%	12.3%	12.8%	9.6%	9.9%	10.6%	8.2%	6.4%	4.0%
Group 3	($1.34 - $1.79 million)	9.4%	8.8%	7.8%	8.5%	6.2%	5.0%	4.6%	3.1%	6.1%
Group 4	($1.07 - $1.34 million)	10.5%	8.4%	7.3%	6.6%	10.3%	5.2%	1.3%	-1.5%	-5.0%
Group 5	($787,000 - $1.07 million)	6.0%	5.1%	8.1%	3.4%	3.3%	2.7%	-10.1%	-10.0%	0.9%
Group 6	($632,000 - $787,000)	2.1%	6.3%	-2.9%	0.3%	6.6%	-3.7%	-5.5%	-11.6%	-6.5%
Group 7	($456,000 - $632,000)	2.2%	1.4%	-3.8%	-5.5%	-4.0%	-1.9%	-10.2%	-7.5%	-17.7%
Group 8	($333,000 - $456,000)	-6.0%	-0.7%	-0.5%	-1.9%	-10.3%	-18.7%	-16.3%	-28.1%	-10.9%
Group 9	($192,000 - $333,000)	-2.9%	-16.4%	-12.5%	-32.8%	-29.2%	-21.5%	-26.0%	-17.1%	-11.7%
Group 10	($192,000 and under)	-7.3%	-25.5%	-13.1%	-1.5%	-34.7%	-59.5%	-87.5%	-28.6%	-9.7%
TOTAL		14.8%	13.2%	12.3%	12.0%	11.5%	8.7%	6.4%	3.4%	4.5%

- NOTE: - REVENUE GROUPS VARY EVERY YEAR.
  - PROFITABILITY IS DEFINED AS PROFITS BEFORE INCOME TAXES AS A PERCENT OF TOTAL REVENUE.
- SOURCE: STATISTICS CANADA, CATALOGUE 56-205

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primary source of revenues in the broadcast industry, accounting for just over 97 per cent of total revenues in the radio broadcasting sector.

Total advertising revenues for radio rose at an annual rate of 10.7 per cent, which is modest when compared to the robust performance of television advertising which averaged a growth rate of 15.1 per cent. This compares to a 12.1 per cent growth rate of all advertising revenues during the same period.

However, the national/local split of revenues was also changing during this time. Local advertising revenues in the radio industry grew at an average annual rate of 11 per cent, and their share increased from 71.9 per cent to 73.4 per cent. National revenues grew more slowly at the rate of 9.9 per cent, corresponding to a share decline from 28.1 to 26.6 per cent. The share shifts between the television and radio segments partially explains the modest growth rates of radio advertising revenues. During this period, national revenues to the television broadcast industry grew strongly at an annual rate of 16.2 per cent, with a corresponding increase in share of the national/local split from 65.2 per cent to 70.0 per cent by 1984.

Changes in the radio broadcasting audience has also affected the revenue generating capability within the industry. The report, A Review of Trends in Canadian Radio Listening, prepared by the Bureau of Broadcast Measurement identifies two important changes in radio usage since 1976, which affect revenue generation capability. These are:

- the shift in audience share to FM radio, primarily at the expense of AM radio; and

- the disproportionate audience share of larger urban stations, and the concomitant loss by smaller market stations.

The effects of these audience share shifts has been a weakening of the competitive position of AM radio stations in general, and more particularly, of those AM radio stations in smaller market areas. Most of these probably fall into the revenue categories 4 to 10 shown in Table 3, that is, 1984 revenues of under $1.34 million. The situation has reflected the shift of national advertising revenues from radio to the television segment of the broadcast industry.

This revenue and expenditure picture forms the backdrop for the analysis of the options for networking of smaller stations and removal of commercial air time restrictions. Table 4 shows a simple estimate of the change in revenues and expenditures which would be required to bring the approximately 260 radio units to various levels of profitability. The detailed calculations by group are contained in Appendix 2.

TABLE 4

CHANGE IN REVENUES OR EXPENDITURES FOR SMALLER RADIO STATIONS TO ACHIEVE PROFITABILITY

Profitability Goal	Revenue Increase or Expenditure Decrease	As a % of Revenues or Expenditures
0%	$12.4 mm	7.0
2%	15.6 mm	8.8
5%	20.9 mm	11.7

Notes: excludes depreciation and interest expenses.

1. Formation of Networks of Smaller Radio Stations

a. Description

As shown in the preceding discussion, a large proportion of private radio stations in small markets and with low revenues show significant losses.

The proposal is to expand these types of affiliations or joint services to other Canadian regions or other content categories. Network affiliations would aim to offer better content to listeners making large-city quality available to small-city listeners, while lowering operating costs for the independent stations. A second objective is to increase listenership and audience share, and hence, rates and advertising revenues.

b. Analysis

Some form of station affiliation already exists in Québec for the Radio Mutuelle and Télémedia networks. In Québec, networking has not assured, by itself, the profitability of either the individual stations or the network as a whole. Had it proven itself to be successful, we would expect to see a greater degree of networking in the radio broadcasting industry than currently exists. Also, many Canadian groups operate news services for independent radio stations. These news services focus on regional, national and international news; the news services provide better service than the independent station could normally afford on its own.

In order to analyze this option, we determined what would be required to improve the financial health of the unprofitable stations. Reductions in expenditures or increases in revenues, or a combination of the two are necessary. The revenue/expenditure calculations shown in Table 4, and contained in greater detail in Appendix II therefore form the basis for this analysis.

As shown in Table 4, the combined revenue increase/ expenditure decrease to bring these stations to the

break-even level, indicated by 0 per cent profitability as defined in this analysis, is $12.4 million, based on 1984 financial data. If the objective is to restore the financial health of these stations to a more robust level of profitability, say 5 per cent, the revenue/expenditure change required rises to nearly $21 million.

The revenue groups also show significant differences when program expenses are ratioed to total departmental expenses, i.e., exclusive of interest and depreciation. For the 3 revenue groups, which are profitable, program expenditures represent 35 per cent of expenses. For the 7 unprofitable groups, program expenditures represent 53 per cent of expenditures.

The question is whether the establishment of networks could achieve sufficient economies of scale to reduce costs, and thus, increases in quality, which would improve audience share and revenues. The revenue/expenditure change required represents about 7 per cent of total revenues or expenses for this group. By trimming $12.4 million from program expenses, the proportion of programming to total expenses for the 7 unprofitable groups is, at 49 per cent, still above that of the profitable groups, but collectively the 7 groups break-even.

The production of programming for network distribution may, however, incur other costs. News, for example, requires immediate distribution because of its current nature, and the economies of network production could potentially be offset by the increase in distribution costs through telecommunication lines.

The downside risk on the revenue increase is the extent to which networking, particularly of AM radio stations, can improve programming quality sufficiently to improve the audience share of stations in smaller markets. This assumes a reversal of the trends observed in recent years, of the increasing dominance of stations in larger markets and audience preference for FM stations.

Therefore, networking of radio stations could potentially improve the financial health of stations in smaller markets, only if the revenue/expenditure target can be met through decreased programming costs and increased audience share. The revenue/expenditure changes required appear difficult to achieve and this option does not seem likely to meet its desired objective.

2. Removal of Restrictions on Commercial Time

a. Description

For AM radio, current CRTC rules specify the following:

- up to 250 minutes per day (between 6 a.m. and midnight)
- up to 1500 minutes per week

For FM radio, current CRTC rules specify the following:

- up to 10 minutes per hour
- up to 150 minutes per day (between 6.a.m. and midnight)

For AM radio, the bulk of listening time and advertising revenues is concentrated in the morning rush hours, between 6 a.m. and 9 a.m., while for FM radio,

listenership and advertising revenues are more evenly distributed. However, as stated previously, a large proportion of private radio stations in small markets with low revenues show significant losses.

The issue to be addressed, therefore, is what would happen if the proportion of commercial time, musical content and spoken word were left to the discretion of each radio station.

b. Analysis

Again, this option is directed toward improving the financial viability of radio stations, by allowing them to determine the amount of commercial time they wish to sell, and hence potentially increase revenues. As the background analysis indicates, the revenue increase required to bring the unprofitable stations to a break-even position, is in the order of $12 million. Assuming that these radio stations could increase their marketing of commercial time to this extent, would make this a viable option. However, there is not sufficient evidence to support this assumption.

First, while some stations have been increasing commercial time during the lucrative breakfast period (see Le Soleil (Quebec) 20 mars 1986), these have been stations in larger urban markets (CKAC and CJMS of Montreal, and CHRC of Quebec City) which are generally profitable.

Second, it is not clear that this will result in a net increase in total commercial time, but rather shift of advertising from other time periods to this peak period. Discussions with radio personnel did not indicate any

unmet demand for commercial air time except during the peak periods of November and December.

Nevertheless some rate premium could be charged and increase revenues somewhat, and 16 minutes per hour for the 2 to 3 breakfast hours of a 5-day week represents 11 to 16 per cent of total allowable commercial time.

Third, it is questionable whether all stations could do this simultaneously and be successful, since they would all be pursuing the same pool of advertisers, and growth of radio advertising revenues, as previously noted, has not been strong.

On balance therefore, it does not appear that this option would be sufficient to improve the financial prospects of smaller stations. Moreover, an aggressive marketing stance by the larger stations may simply improve the profitability of this group of stations.

3. Increased Canadian Recorded Content

a. Description

Currently, CRTC regulations specify minimum quotas for Canadian musical content.

CRTC rules define what qualifies as Canadian content; these rules vary between AM and FM bands. Generally, on AM radio, 30% of the musical content has to come from Canadian sources. These rules were designed to foster the development of the Canadian sound recording industry.

The new policy would aim to increase the production level and role of the industry though a variety of ways:

- tighter rules
- government subsidies
- creation of special funds by private stations

Assuming that the policy would stimulate demand sufficiently to increase production by $50 million annually, the analysis identifies the impact on both the Canadian sound recording industry, and the stimulus to the economy as a whole.

b. Analysis

In order to analyze the impact of this proposal, we have examined the structure of the industry.

Industry Structure and Canadian Content

The Canadian sound recording industry consists of both large and small firms with foreign companies occupying the large end of the size spectrum. These foreign controlled firms tend to be vertically integrated, acting as both record companies and distributors, sometimes manufacturing records and tapes as well. In contrast, Canadian controlled firms tend to be smaller than foreign controlled firms and restrict themselves to one stage of production.

The size and foreign control of firms varies widely by stage of production. Producers, production companies recording studios and retailers are numerous, and small-scale firms tend to be largely Canadian controlled.

Manufacturing and wholesaling activities have varied firm size and a mixture of Canadian and foreign control. Large U.S.-owned firms, like CBS Records (Canada) Ltd., often

have a manufacturing arm of their integrated record and distribution company. However, some large foreign controlled record companies do no manufacturing, while several Canadian firms are engaged in record and tape manufacture.

Record companies are of two types: large, often integrated, foreign controlled "majors" like CBS, WEA Music of Canada Ltd. (Warner Brothers) and Capitol Records - EMI of Canada, and small Canadian controlled "independents".

These independents are also of two types. Some companies endeavour to sign artists, getting management fees and arrange for manufacture and distribution. In brief, they "own the entire package".

The other group of independents attaches less importance than the first group to the signing of talent. These firms accept masters from several sources, including abroad, and then arrange for manufacture and distribution. In short, they do business in the style of a "major".

In contrast to other participants, distributors are few in number and almost exclusively foreign controlled. These large firms are capable of absorbing the risks associated with uncertain and highly variable sales for individual releases which smaller firms find difficult or impossible. They provide influential and widespread connections to retailers and wholesalers which helps to assure a record company of prompt payment on sales.

b. Analysis

In order to determine the impact on the various participants in the sound recording industry of increased purchases of sound recordings, we have identified a cost breakdown of producing a record or tape in Canada. Since policy changes would be directed at stimulating production of the work of Canadian artists, the breakdown studied, considers costs of releasing a Canadian artist's work through a Canadian record company.

Table 5 provides an estimate of the distribution of costs of a Canadian record based on a list price of $10.00 for a record by a Canadian artist, manufactured in Canada.

TABLE 5

ESTIMATED COSTS OF RELEASING A RECORD IN CANADA BY A CANADIAN ARTIST
(record list price - $10.00)

Record Company Costs		
artist royalties	$ 1.26	
songwriter, publisher rights	.20	
musicians' fees	.22	
producer's fees/royalties	.30	
manufacturing cost	1.00	
recording studio cost	.45	
record company internal and production company cost	.57	
federal sales tax	.50	
		$ 4.50
Distributor		2.00
Retailer/Wholesaler		3.50
Total Cost = List Price		$10.00

Source: Interviews with recording industry executives.

Record companies receive about $4.50 per record, disbursing most of the money to other industry participants. According to industry executives, tape manufacturing costs are about $1.00 per tape. Since list prices are close to record prices, it appears that this cost breakdown is applicable to most sound recordings of Canadian artists made in Canada.

These executives caution that cost shares may vary widely depending upon sales volume achieved. Producers' fees (at low sales volumes) and recording studio costs are fixed in large part, as are many record company and production company costs.

At the industry level, the increase of $50 million in purchases of recordings of Canadian artists would result in over $6 million in increased royalties, an extra $2 million for songwriters and musicians, and $1.5 million in producers' fees. Manufacturing revenues would rise an estimated $5 million, while recording studio business would increase by $2.25 million. Record companies and production companies would share almost $3 million while distributors' revenues would rise by an estimated $10 million and retailers and wholesalers would share an extra $17.5 million.

In order to quantify this stimulative effect on the Canadian economy as a whole, we have used the Statistics Canada National Input-Output model. Table 6 provides a summary of the benefits of the increased purchases of Canadian sound recordings. These benefits include increased employment, incomes and production.

The employment created by the sound recording purchases is expressed in person-years. (A person-year is defined as one year's full-time employment for one person.) The direct employment created within the industry will be about 1000 person-years. In addition, another 1920 person-years of employment will be created throughout the economy in order to satisfy the purchasing requirements of the sound recording industry as well as due to respending of incomes generated.

The total impact of the increase of $50 million in sound recording purchases upon employment - direct plus indirect plus induced - will be approximately 2920 person-years. By comparing this total with the direct effects, we determine the employment "multiplier", which is estimated to be about 2.9. That is, for every person-year of employment devoted to the creation and marketing of sound recordings, another 1.9 person-years are created elsewhere in the Canadian economy.

The increase in income generated by the increased expenditure on records and tapes, or "value added", represents the returns earned by labour, including creative talent and capital. The extra purchases of records and tapes result in direct and indirect and induced increased income of about $72.1 million.

When added to the wages and salaries paid by the sound recording industry itself (about $24.3 million) the additional expenditure creates a total income increase of about $96.4 million. By comparing this total addition to income with original increase in expenditures of $50 million, we derive an income "multiplier" of about 1.9. That is, for every dollar of income directly generated in the sound recording industry, about $0.90 of income is generated elsewhere in the Canadian economy.

TABLE 6

THE MACRO ECONOMIC IMPACT OF $50 MILLION OF ADDITIONAL PURCHASES FROM THE SOUND RECORDING INDUSTRY ON THE CANADIAN ECONOMY

	Employement in person-years
Employment of paid employees:	
• Direct (associated with the wages and salaries paid by the industry)	1,000
• Indirect (associated with industries supplying the industry) plus Induced (associated with respending of incomes earned)	1,920
TOTAL	2,920
	$ Millions
Total income/value added:	72.1
Gross production/shipments consisting* of:	143.6
• Primary industries	11.2
• Manufacturing industries	50.8
• Construction industry	6.0
• Service industries	75.7

* Total may not add due to rounding.

Source: Statistics Canada, National Input-Output Model, 1981.

In 1984, the latest year for which data are available, revenues from sales of disks and tapes in Canada totalled $263.4 million. Of this total, revenues from sales which qualify as Canadian, totalled only $28.0 million, just over 10 per cent of the total.

The additional $50 million in sales of Canadian records thus represents almost a doubling of sales from the 1984 level. This would seem to be a very ambitious target, and one which content rules alone would not necessarily achieve.

B. TELEVISION BROADCASTING INDUSTRY

The following five options deal with measures which affect the television broadcasting industry.

4. Increase Expenditures on Canadian Programming

a. Description

The production of quality Canadian programming is expensive, and Canadian rights to U.S. shows can often be acquired at a cost which is cheaper than domestic program costs. These U.S. shows also have good audience ratings and in English Canada, the viewership is biased in favour of these shows.

The objective of this proposal is to assess the impact on Canadian talent, and the economy, of a $100 million stimulus in the form of increased Canadian television programming.

b. Analysis

The structure of this analysis parallels that of the sound recording industry. In order to understand its impacts, we profiled the expenditures by the television industry in the production of Canadian programming, as shown in Table 7.

TABLE 7

PROFILE OF TELEVISION PROGRAMMING EXPENDITURES

	Per Cent Share of Total
Salaries & Benefits	61
Talent fees	9
Film & Tape expenses	2
Studio set & props	9
Use of remote & other facilities	5
Music	1
Other production costs	9
Program Distribution	2
Other Expenses	2
	100

Source: Adapted from data from CBC, Radio-Canada, TV-Ontario, CAB and Statistics Canada.

Approximately 70 per cent of costs are incurred in wages and talent costs. The balance also include a labour component for the production of props etc. Thus, of the $100 million expenditure on programming, $70 million would be directed to employment.

The impacts of this level of expenditure on the Canadian economy have been assessed by using Statistics Canada's Input-Output model. The model results are shown in Table 8.

TABLE 8

THE MACRO-ECONOMIC IMPACT OF $100 MILLION
IN ADDITIONAL TELEVISION PROGRAMMING
ON THE CANADIAN ECONOMY

	Employment in Person-years
Employment of paid employees:	
• Direct (associated with the wages and salaries paid by the industry)	1,678
• Indirect (associated with industries supplying the industry) plus Induced (associated with respending of incomes earned)	3,460
TOTAL	5,138

	$ Millions
Total income/value added:	134.3
Gross production/shipments consisting of:	264.3
• Primary industries	22.0
• Manufacturing industries	100.9
• Construction industry	5.2
• Service industries	136.2

Source: Statistics Canada, National Input-Output Model, 1981.

The employment created by the additional television programming is expressed in person-years. The direct employment created within the industry will be about 1680 person-years. In addition, another 3,460 person-years of employment will be created throughout the economy in order to satisfy the purchasing requirements of the producers of the programming as well as due to respending of incomes earned within the industry.

The total impact of the extra purchases due to respending upon employment (direct plus indirect and induced) generates 5,138 person-years of employment. The employment "multiplier" for these purchases is estimated to be 3.1. That is, for every person-year of employment devoted to the increased production of TV programming, another 2.1 person-years are created elsewhere in the Canadian economy.

The income or value-added generated by the $100 million expenditure on TV programs represents the returns to labour, including creative talent, and capital in providing the products and services demanded as a result of this expenditure. The extra purchases result in direct, indirect and induced increased income of about $134.3 million.

When added to the wages and salaries paid by the television program production industry itself, which total about $48.5 million, this option creates an income increase of about $182.8 million. This indicates an income "multiplier" of about 1.8. That is, for every dollar of income directly generated by the programming expenditure, about $0.80 of extra income is generated in the Canadian economy.

5. Tax Incentives to Support Canadian Programming

a. Description

Currently, advertising expenditures are fully deductible expenses when spent on Canadian-owned media. This proposal is to provide an incentive for companies to direct advertising expenditures to certain categories of Canadian programming - including children's and variety shows, and drama, which have a higher proportion of creative talent. These are generally not produced for lack of advertising support due to smaller audience support. This is primarily a problem of English language programming since French language Canadian programming has good advertiser and audience support. Other types of Canadian programmes, such as sports, which have no problem in terms of advertising support, would not be eligible for the tax incentive.

The tax proposal can take two forms: an expenditure deduction equivalent to 150 per cent of the actual advertising expense, or a tax credit, again equivalent to 150 per cent of the actual expense. The main difference between the two is that the tax credit reduces the tax liability only for tax-paying firms. The increased deduction only reduces taxable income, although for firms in a tax-paying position, the tax credit is worth more.

b. Analysis

The specific impact of this tax proposal in terms of additional revenue support to the targetted segment of Canadian programming is influenced by several factors. These include:

- the extent to which the tax proposal will encourage firms to increase their budgetary allocation to advertising, or whether they will simply shift budget away from other programming. To the extent that the latter occurs, the gains to Canadian programming will be offset by losses to other programming segments.

- the tax-paying position and bracket of firms which advertise on television. These are generally not a homogeneous group and include consumer products, durable goods such as cars, and services, i.e. finance and insurance.

Currently, Canadian, English language drama, variety and children's Canadian shows have low audience ratings. For this discussion, we have assumed that for comparable quality levels, there is a direct relationship between program cost and audience share. Because of the limited Canadian marketplace, the amount spent on producing Canadian shows is typically 20 per cent or less of the sum spent on producing U.S. shows. Often in these cases, Canadian shows generate low audience ratings, although higher cost shows, such as Anne of Green Gables, have proven that higher cost, quality programming can generate improved audience ratings.

Advertisers are primarily interested in reaching large audiences rather than receiving tax credits. While tax incentives could serve as a means to their end, the key is to generate sufficient support, that is in the order of $60,000 to $300,000 per show for the quality of programming required to generate large audiences. In addition, since tax provisions apply generally to all advertisers, this may generate additional support to

French language programming, which does not require the stimulus to the extent that English language programming does, and at a revenue cost to government.

If we assume, however, that of the nearly $1 billion spent on television advertising in 1984, a small portion of it could be redirected to support Canadian programming, a substantial amount of funds is potentially available. Five per cent of current advertising revenues would provide about $50 million of support. Given the costs for quality programming, this would support between 165 hours, approximately one-half hour per day, and 850 hours or approximately 2 - 3 hours per day of Canadian programming. The economic impacts of this injection of funding to Canadian programming on both the industry and economy would be about half those discussed under option 4 above.

This proposal could potentially provide a good level of advertiser support to Canadian programming, although, this may be at the expense of existing non-Canadian shows. Its success hinges on the assumption that sufficient funds would be spent to produce quality programs which will attract larger audience shares and hence advertiser support.

6. A Third National English Network

a. Description:

The objective is to create a strong third national English language television network, with private stations in all major Canadian cities. This new network would produce programs centrally and devote more funds to developing strong Canadian programs.

Potential Sponsors

Two national English language networks already exist across Canada: CTV and CBC. These two networks are represented in most Canadian cities. The intention here is to modify the industry structure that was described in Figure 3 in Chapter II, by creating a third network.

TABLE 9

UNAFFILIATED TELEVISION STATIONS IN MAJOR CANADIAN MARKETS

City	TV Station	Corporate Owner
Vancouver	CKVU-TV	CanWest (pending)
Calgary	CFAC-TV	Selkirk
Edmonton	CITV-TV	Allarcom
Regina	CFRE-TV (pending)	CanWest
Saskatoon	CFSK-TV (pending)	CanWest
Winnipeg	CKND-TV	CanWest
Hamilton/Toronto	CHCH-TV	Selkirk
Ontario (broad coverage)	CIII-TV (Global)	CanWest
Toronto	CITY-TV	CHUM Limited

As shown in Table 9, unaffiliated TV stations also exist in, or have been approved for, most major Canadian cities. A regional network, Global Communications, exists in Ontario. As can be seen from the same table, the CanWest Communications group is the controlling shareholder for the Global network and for four other independent television stations in western Canada. The CanWest-Global group has indicated its intention to expand across Canada, and to create a new station in the Montreal market which is currently served only by two Canadian English-language stations.

Some Canadian cities are also served by a provincial educational network. Finally, Toronto has access to three major Canadian independent stations (CHCH-TV, CIII-TV, CITY-TV).

A third national network could be created along one of the following options, ranked in order of increasing difficulty:

- Link formally the CanWest-Global stations; then expand in major markets currently not served.

- Affiliate other independent stations in major markets (Calgary, Edmonton, Hamilton-Toronto) and expand in other major markets (through acquisitions, change of affiliation or creation of new stations).

- Award new licenses for creating a totally new network.

The first alternative is the most likely, given the present industry structure. Through its current ownership of Global and CKND-TV, and its planned moves into three new markets, the CanWest group has the strongest base for creating the third network. The current shareholders, and/or new partners, have the strongest foundation, in terms of coverage, audience and broadcasting revenues.

The second option would be to affiliate other independent stations. The strongest contender in this case is Selkirk, with independent stations in the Calgary and Hamilton-Toronto markets. Selkirk also has partial ownership of CTV affiliated stations in Vancouver and Victoria. The current base of Selkirk could be expanded through acquisition, change of affiliation, or creation of new stations.

Another option would be to create an entirely new network. If CanWest or Selkirk are excluded from this third network, any contender would have to put up significant financial resources to establish a string of new stations across Canada, assuming that it would be able to obtain the broadcasting licenses. Including the cost of equipment and the normal start-up losses, the initial investment required would reach several hundred million dollars. Such a large initial investment for an uncertain return reduces the likelihood of this option. Any serious contender would probably find it easier and cheaper to buy out the current CanWest or Selkirk operations.

b. Analysis

As a way of assessing the viability of this option, two comparisons can be used: French language networks in Quebec and U.S. networks.

In Quebec, a third French network is scheduled to begin operations in September 1986; headquartered in Montréal, the Réseau Quatre-Saisons (RQS) will have repeaters in all other major cities in Quebec. As for the other two French networks presently in operation, RQS will have strong Canadian content in its programming schedule. The Canadian programs show consistently high BBM ratings in Quebec; in general about 22 of the 30 most popular programs on French networks are made in Canada. By way of contrast, less than 5 of the 30 most popular programs on English networks in metropolitan areas (Toronto, etc) are made in Canada.

In the United States, three major private networks are presently in existence: CBS, NBC and ABC. Until recently,

ABC was considered a weak participant and some industry observers were speaking of 2.5 networks, instead of 3. In recent years, some attempts have been made to create a fourth network. Among the contenders have been Gulf & Western Industries and, more recently, a company headed by Mr. Robert Murdoch. The major roadblocks have been identified as lack of available programming, uncertainty regarding advertising revenues, and the difficulty of assembling a chain that covers all major U.S. cities. In short, with a population ten times larger than Canada, the United States has only three major networks, and the creation of another one is still an uncertain proposition.

Generally, the independent stations in Canada have smaller financial resources than the CBC or CTV networks or affiliated stations. The independent stations do produce certain Canadian programs; some of these even win awards (CKND-TV in Winnipeg is a good example). But the independents also rely to a large extent on foreign programs for most of their schedule and much of their revenues.

Creating a new national network would not by itself result in more attractive Canadian programs for Canadian viewers. As indicated above, the real issues are that English Canadians like to watch programs that have North American scale and quality, and that the limited Canadian market cannot support these high cost programs.

A policy alternative might be to encourage the Canadian production of a limited number of exportable shows. This strategy has been successfully followed by Canadian companies in a number of other industries.

7. Establish Canadian Superstations

a. Description

Some Canadian television signals, for example, Télé Métropole, CHCH, are already available in remote regions across Canada through Cancom.

In the United States, some television stations (e.g., WTBS in Atlanta) are available nationally in many urban markets on cable systems. These superstations derive additional revenues from payments by the cable operators and to some extent, by incremental advertising revenues.

The issue of this policy option is to determine the impact if Canadian cable operators were allowed to distribute the Cancom or other Canadian superstation signals on television stations in smaller markets.

b. Analysis

The creation of superstations which will provide additional choices in smaller markets, will increase the availability of signals in these markets. The effects may be manifested in two ways. Increasing signal availability may increase total viewing hours particularly if additional or new programming is offered. To the extent that this occurs, and is accompanied by minimal reductions in hours tuned and audience size of existing stations, the advertising revenues of local stations in the market would be largely unaffected.

The second possible, and perhaps more likely outcome, is that audience and viewership in total in the market will

not increase, or will increase only marginally. This is likely to be the case if the programming content of the superstations is similar to that of existing stations. Superstations in the U.S. are often independents which broadcast re-runs and syndicated programs rather than network shows. The availability of a new signal therefore would likely split the market among all stations, resulting in an increasing share of the market by the superstations and decreased share of viewing by local stations.

A study by Robin Quinn and Associates Inc., entitled, The Impact of CATV Upon TV Advertising Revenues 1972-1981 (November 1983) assesses the factors which have affected local television revenues in markets receiving distant signals by cable service. While these are not superstations, some of the findings are directly relevant to the analysis of this policy option.

The analytical results presented in the Quinn report provide indications of the effects of cable TV at both the market and station level. At the market level, this analysis suggests that with the increasing availability of television signals via cable in the market, total advertising spending in that market increases. These revenues would be derived largely from national advertisers, since local advertisers would not be interested in reaching audiences outside their own market area.

The Quinn analysis also identifies the importance of total viewing hours to advertising revenues. Both total market and individual station revenues are highly correlated with viewing hours, to the extent that "77 per cent of variation in station revenues is explained by total

viewing hours of the station" (page 38). It is because of this strong relationship, that the introduction of superstations into smaller markets is of concern.

If the superstation reduces the proportion or share total viewing hours of existing stations, then we could expect a dampening of revenues in proportion to the decline in local station share of viewing. In quantitative terms, the Quinn analysis indicates for CATV, that a 10 per cent increase in CATV share of viewing results in a 0.8 per cent decline in total advertising revenues in that market. How this decline is apportioned between CATV and local stations is not analyzed, but since advertising revenues are so strongly correlated with viewing hours, the decline in local station revenues could be expected to reflect directly the decline in market shares of local stations.

The overall effect of this proposal thus depends on the quality of programming of the superstations. In short, superstations with unique programming would appeal to untapped audiences and increase viewership, resulting in increased revenues in the marketplace. By contrast, if programming were similar to existing stations which is unlikely to increase viewership within these smaller markets, this would affect the revenue base of existing stations.

8. Purchase Residual Rights of U.S. Network Programs for Canada and Sell Advertising Canada.

a. Description

Currently, Canadian cable operators use U.S. television signals free-of-charge, and sell these services for a fee to Canadian viewers. Some U.S. program producers and network groups believe they should be compensated for this activity.

Also, U.S. signals attract a strong Canadian audience and offer a good advertising medium and source of revenue for the Canadian broadcasting industry.

Under this approach, a consortium of Canadian broadcasters would be formed to:

- buy all the residual rights to programs on U.S. networks for which Canadian rights are not sold separately;
- pay U.S. networks for these rights;
- substitute U.S. commercials with Canadian commercials before distribution to Canadian cable operators.

b. Analysis

This policy option is quite complex and many groups would be involved in the discussions leading to the structuring of this Canadian consortium. Key considerations are outlined below.

The payment structure by the Canadian consortium to the U.S. industry could be determined in a variety of ways. Two methods are described here:

- a fixed percentage of the advertising revenues generated by the Canadian consortium. While varying in proportion with ad revenues, this method is likely to be the more expensive, since, payments would rise, as advertising revenues rise.

- a price for each program based on prices charged to Canadian stations for other U.S. programs sold separately; a discount would probably prevail in this case, because of the volume purchase and because these programs would not otherwise be sold.

The U.S. recipients of the Canadian payments would have to be clearly identified from the start; many groups could claim part of the proceeds, in addition to the three commercial networks. The principals include:

- each U.S. station on the Canadian border. Very few are owned and operated by the networks, and many still derive significant revenues from the Canadian marketplace. Also, these stations air local or syndicated shows during many hours of the day; the networks are not responsible for the programming and cannot claim ownership of these time slots.

- U.S. producers of television programs, whether they sell to U.S. networks or through syndication to individual stations. These producers would be seeking a fair return from the selling of their programs rights in Canada.

The Canadian participants in the Canadian consortium would have to be determined, both in terms of who is allowed in the group and how the proceeds are distributed. Among the key considerations are the following:

- which TV stations should be included? Each network member and each independent television station?
- should the money go directly to a Canadian television production fund? or
- should this money be distributed among the consortium members based on their current revenues, or based on new revenues generated in their region?

The third parties affected by the consortium arrangements should be treated fairly. The Canadian television, radio and print companies would now face increased competition for advertising revenues, from a medium that has already proven its strong appeal to Canadian viewers. The Canadian consortium might upset the current balance in the advertising industry.

The technicalities of time zones and commercial replacement would have to be managed carefully. It may be necessary to have two or three time zones (or two or three gateways) in Canada. Commercial replacement would also have to be planned and coordinated with the U.S. industry.

The availability of U.S. network shows on Canadian stations currently varies between major cities. The distribution for Toronto and Montreal is shown in Table 10.

TABLE 10

PROPORTION OF U.S. NETWORK SHOWS
CURRENTLY AVAILABLE ON CANADIAN STATIONS

	Time Period of U.S. Shows	
	12:30 - 4:00 P.M.	8:00 - 11:00 P.M.
Toronto	71%	80%
Montreal	29%	38%

Source: Compiled from television listings for the Toronto and Montreal markets for the weeks of March 29 and April 5, 1986. Canadian availability includes both simultaneous and delayed transmissions.

Toronto, with five major Canadian stations, already offers as much as 80% of all U.S. network shows on local stations. In contrast, Montreal which has only two English stations has less than 40% of all U.S. network shows available local stations. Other major Canadian cities (Vancouver, Edmonton, etc.) that have three Canadian stations fall between Montreal and Toronto for availability of U.S. shows.

Revenue potential for the consortium can be estimated using the following three analyses:

1. Advertising market and audience share.

2. Cost per thousand viewers and total audience.

3. U.S. TV program availability in Canadian markets.

As a starting point for the first method, Table 11 shows Canadian television advertising revenues for 1985.

Table 11

DETERMINATION OF POTENTIAL AD REVENUES
FOR U.S. STATIONS ON CANADIAN CABLE TV:
ADVERTISING MARKET AND AUDIENCE SHARE METHOD

Canadian television advertising on private and public stations:	$1,100 million
Minus: French television advertising on private and public stations	$ 170 million
English Canadian television advertising on private and public networks	$ 930 million
Minus: local television advertising (about 24 percent)	$ 220 million
English Canadian advertising private and public stations, network and national revenues	$ 710 million
Potential ad revenues of U.S. stations in Canada (about 50 percent* of current Canadian revenues)	$ 355 million

*Note: U.S. stations share of English Canada: 33 - 50%
Cdn. stations share of English Canada: 67

All figures are approximate and based on industry estimates for 1985.

After subtracting French and local advertising, an estimate is obtained for national and network advertising on public and private English language stations in Canada. The Canadian stations collectively have double the collective share of the U.S. stations in the Canadian market. Therefore, all other things being equal, revenues for the Canadian consortium could reach as high as $350 million according to this estimation.

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Using the second method, Table 12 shows preliminary estimates prepared by personnel of the CBC Research Department. Based on the total audience of the U.S. stations in Canada, and on a range of cost per thousand viewers, revenues for the Canadian consortium could vary between $229 million and $458 million a year. The mid-point of this second method compares to the estimate obtained in the previous analysis.

TABLE 12

DETERMINATION OF POTENTIAL AD REVENUES
FOR U.S. STATIONS ON CANADIAN CABLE TV:
CPM AND TOTAL AUDIENCE METHOD

	Low	Middle	High
Cost per thousand (CPM) viewers	$4	$6	$8
Potential revenues for U.S. stations in Canada (millions)	$229	$343	$458

Source: Preliminary estimates by personnel of the CBC Research Department.

The third method uses a closer and more balanced analysis looking at the actual availability of U.S. TV programs and the cannibalization effects on existing Canadian TV stations. This third method would greatly reduce the net benefits to the Canadian industry. Table 10, above, has indicated that many of the U.S. network shows are already available in the larger Canadian TV markets. Canadian national advertisers are therefore unlikely to pay top dollars for second class U.S. shows, or for shows that the consortium could not offer in major Canadian markets. Also, the Canadian advertising revenues are unlikely to expand by as much as 50 per cent just due to the availability of a new medium. We therefore estimate

that, on this basis, the ad revenue potential is in the order of $60 million, well below that generated using the other two methods.

These three methods have generated a wide variations in estimated advertising potential. For comparison purposes, we can use the estimates determined by Arthur Donner in his study of advertising spillover in Canada as shown in Table 13.

TABLE 13

ESTIMATIONS OF U.S. TELEVISION SPILLOVER IN CANADA
MACRO AND MICRO COMPARISONS

Macro Estimates:	
Based on ratio of advertising to GNP in Canada and in the U.S.	$1,000 million
Based on advertising per capita in Canada and in the U.S.	$ 750 million
Micro Estimate:	
Based on detailed analysis of ad budgets for major companies	$ 124 million (a range of $50 to $150 million)

Source: Arthur W. Donner report to the Task Force, "An Analysis of the Importance of U.S. Television Spillover, Bill C-58, and Simulcasting Policies for the Revenues of Canadian TV Broadcasters", February, 1986.

The micro-analysis provided estimates of $50 to $150 million, and were about one-sixth to one-eighth of the macro-estimates, which ranged from $750 to $1,000 million. Since the micro estimates are based on actual calculations for representative companies, not just on broad, overall aggregates, they would appear to serve as a favourable basis for estimation.

Still, this policy option does show potential. The conservative estimate of $60 million in additional advertising revenues is a significant amount, from as yet untapped revenue sources, and therefore warrants further consideration.

V. CONCLUSION

We have enjoyed working with you on this challenging assignment and appreciated the co-operation from the Task Force. We look forward to serving you again.

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APPENDIX I

A DESCRIPTION OF THE STATISTICS CANADA INTER-PROVINCIAL INPUT-OUTPUT MODEL

A DESCRIPTION OF THE STATISTICS CANADA INTER-PROVINCIAL INPUT-OUTPUT MODEL

1. Statistics Canada's Inter-provincial Input-Output Model

In simple terms, an input-output model is an integrated framework of economic statistics which allows for tracing the interdependence between various sectors and industries. It establishes these inter-relationships in a relative sense, so the output is equally applicable to present and future activity. In applying the output, unadjusted, to future activity, however, it must be assumed that no factor substitution will occur as a result of either relative price changes or productivity/technological improvements.

Statistics Canada's interprovincial input-output model is based on the input structure prevailing in the provincial economies in 1979. The inter-provincial input-output model differs from the national input-output model in that its output is disaggregated to each of the provincial economies. The strength of the inter-provincial model, therefore, lies in its capacity to assign the economic impacts to each province and, therefore, to examine the impact on Ontario.

The total effects measured from the input-output model include direct, indirect and induced impacts in order to capture the total effect of the economic activity stimulated.

- Direct benefits, measuring the impact of increased output required to satisfy the increase in demand resulting from the construction of a component or the satisfaction of a need by a visitor (e.g., earnings by construction workers).

- Indirect benefits, measuring the impact in those sectors supplying raw materials and other inputs to the sectors contributing to the direct increase in output (e.g., suppliers of aluminum to makers of window frames).

- Induced benefits, which measure the impact of the re-expenditure of the wages and salaries paid as a result of direct and indirect activities.

The result of the analysis described above is expressed as:

- Value added (GDP at factor cost) - this is the incremental worth attributed to the product within a jurisdiction by reason of its manufacture. For example, if aluminum window frames are manufactured in Ontario, the value added in Ontario will be exclusive of the value of the aluminum stock bought from another province.

- Government indirect tax revenues - includes federal and provincial commodity indirect taxes such as gasoline and liquor gallonage taxes, federal excise taxes, provincial sales taxes, import duties as well as other indirect provincial taxes, such as property taxes, motor vehicle licenses and permits and other licenses.

- Wages and salaries - the wages and salaries earned in each jurisdiction.

- Employment expressed in person-years - jobs may be permanent, temporary full-time, or part-time.

Statistics Canada's input-output model has several limitations. These do not undermine the conclusions of the report, but they should be considered when reviewing the results. These are:

- The inter-industry trading relationships are based on 1979 data. The model does not account for changes that have taken place since that time, and there is no simple way to adjust for these changes.

- The production function is linear (Leontief type) which means that the total effect of a project is directly proportional, regardless of its size; also, increases and decreases show the same proportional impact. In reality, the disappearance of a particular expenditure does not generate a slow-down in the economy equal to its total economic impact, unless all the funds originate from abroad. This is because a certain amount saved will be reinjected elsewhere, in a different form, in the economy.

- There is no time dimension in the model; the period of time necessary to the propagation of all the effects is not taken into account. The model measures the full impact as if it would happen instantaneously.

- The model does not adjust for supply and demand effects such as price increases, substitution and availability of resources.

- Perhaps the most important limit of the model is that it does not consider the relative efficiency of an expenditure. In other words, the model always indicates that a large expenditure has a bigger impact on the economy than a small expenditure. Any improvement is production efficiencies normally leads to less use of human or physical resources. The model, is not capable of adjusting for these efficiencies.

- The model does not consider the nature of the expenditure, its social impact, the externalities it generates, etc., so one cannot conclude about the social or economic profitability of an investment on the basis of the results provided by the model.

APPENDIX II

ANALYSIS OF PROFITABILITY REQUIREMENTS IN THE RADIO BROADCASTING INDUSTRY

BROADCASTING PROFITABILITY - 1986

BASE CASE

		GROUP 1	GROUP 2	GROUP 3	GROUP 4	GROUP 5	GROUP 6	GROUP 7	GROUP 8	GROUP 9	GROUP 10	TOTAL
10 TOTAL OPERATING REVENUE	BASE	$219,638,602.00	$96,257,943.00	$64,546,754.00	$52,373,730.00	$39,289,007.00	$30,503,623.00	$23,426,411.00	$16,493,950.00	$11,154,412.00	$4,994,357.00	$558,678,789.00
	NEW	$219,638,602.00	$96,257,943.00	$64,546,754.00	$52,373,730.00	$39,289,007.00	$30,503,623.00	$23,426,411.00	$16,493,950.00	$11,154,412.00	$4,994,357.00	$558,678,789.00
	DIFFERENCE	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
15 SUB-TOTAL DEPARTMENTAL EXPENSES		$167,735,877.00	$87,381,843.00	$57,347,115.00	$51,748,131.00	$36,115,835.00	$29,646,015.00	$25,013,563.00	$16,882,792.00	$11,560,138.00	$6,198,285.00	$489,628,574.00
16 DEPRECIATION		$5,776,872.00	$3,001,870.00	$2,234,592.00	$2,234,246.00	$1,409,618.00	$1,360,660.00	$1,344,488.00	$950,572.00	$565,363.00	$376,580.00	$19,263,961.00
17 INTEREST EXPENSE		$12,029,647.00	$2,614,257.00	$2,368,238.00	$1,952,188.00	$1,553,025.00	$1,441,572.00	$803,036.00	$466,491.00	$360,271.00	$350,565.00	$23,936,200.00
18 OTHER ADJUSTMENTS (INCOME +) (EXPENSES -)		($4,494,755.00)	$584,399.00	$1,366,743.00	$919,312.00	$151,168.00	($39,035.00)	($401,063.00)	$6,130.00	$13,726.00	$1,464,907.00	($448,468.00)
19 NET PROFITS (LOSS -) BEFORE INCOME TAXES		$29,601,451.00	$3,845,372.00	$3,963,552.00	($2,641,523.00)	$365,717.00	($1,983,659.00)	($4,135,709.00)	($1,799,775.00)	($1,307,634.00)	($486,146.00)	$25,431,646.00
PROFITABILITY		13.48%	3.99%	6.11%	-5.04%	0.93%	-6.50%	-17.65%	-10.91%	-11.72%	-9.73%	4.55%

PROFITABILITY IS DEFINED AS PROFITS BEFORE INCOME TAXES AS A PERCENT OF TOTAL REVENUE

BROADCASTING PROFITABILITY - 1984

PROFITABILITY - 5%
BASED ON EXPENSE CHANGES

		GROUP 1	GROUP 2	GROUP 3	GROUP 4	GROUP 5	GROUP 6	GROUP 7	GROUP 8	GROUP 9	GROUP 10	TOTAL
10 TOTAL OPERATING REVENUE					$62,373,730.00	$39,289,007.00	$30,503,623.00	$23,426,411.00	$16,493,950.00	$11,154,412.00	$4,996,357.00	$188,235,490.00
15 SUB-TOTAL DEPARTMENTAL EXPENSES	BASE				$51,748,131.00	$36,115,835.00	$29,646,015.00	$25,013,563.00	$16,882,792.00	$11,560,138.00	$6,198,265.00	$177,164,739.00
	NEW				$46,490,000.00	$34,517,000.00	$28,137,000.00	$19,706,000.00	$14,259,000.00	$9,695,000.00	$5,462,500.00	$156,266,500.00
	DIFFERENCE				$5,258,131.00	$1,598,835.00	$3,509,015.00	$5,307,563.00	$2,623,792.00	$1,865,138.00	$735,765.00	$20,898,239.00
16 DEPRECIATION												LESS
					$2,236,246.00	$1,409,618.00	$1,360,660.00	$1,344,489.00	$950,572.00	$595,363.00	$396,583.00	$8,250,527.00
17 INTEREST EXPENSE					$1,952,189.00	$1,550,035.00	$1,441,572.00	$803,006.00	$446,491.00	$360,271.00	$350,565.00	$6,904,073.00
18 OTHER ADJUSTMENTS (INCOME +) (EXPENSES -)					$919,312.00	$151,168.00	($39,035.00)	($401,063.00)	$6,130.00	$13,726.00	$1,444,927.00	$2,115,145.00
19 NET PROFITS (LOSS -) BEFORE INCOME TAXES					$2,616,609.00	$1,964,552.00	$1,525,356.00	$1,171,854.00	$826,017.00	$557,504.00	$249,619.00	$8,909,510.00
PROFITABILITY					5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

FORECASTING PROFITABILITY - 1984

PROFITABILITY - 2%
BASED ON EXPENSE CHANGES

		GROUP 1	GROUP 2	GROUP 3	GROUP 4	GROUP 5	GROUP 6	GROUP 7	GROUP 8	GROUP 9	GROUP 10	TOTAL
10 TOTAL OPERATING REVENUE					$52,373,730.00	$39,289,007.00	$30,583,623.00	$23,426,411.00	$16,493,950.00	$11,154,412.00	$4,994,357.00	$178,235,493.00
15 SUB-TOTAL DEPARTMENTAL EXPENSES	BASE				$51,748,131.00	$38,115,835.00	$29,646,015.00	$25,013,563.00	$16,892,792.00	$11,560,138.00	$4,198,265.00	$177,164,739.00
	NEW				$48,060,000.00	$35,694,000.00	$27,053,000.00	$20,410,000.00	$14,753,000.00	$10,029,000.00	$5,612,000.00	$161,611,000.00
	DIFFERENCE				$3,688,131.00	$421,835.00	$2,593,015.00	$4,603,563.00	$2,139,792.00	$1,531,138.00	$586,265.00	$15,553,739.00
16 DEPRECIATION					$2,234,246.00	$1,409,618.00	$1,360,660.00	$1,364,488.00	$950,572.00	$555,363.00	$376,592.00	LESS $8,250,527.00
17 INTEREST EXPENSE					$1,952,188.00	$1,550,005.00	$1,441,572.00	$903,006.00	$466,491.00	$360,271.00	$350,565.00	$6,924,098.00
18 OTHER ADJUSTMENTS (INCOME +) (EXPENSES -)					$919,312.00	$151,168.00	($39,035.00)	($401,063.00)	$6,130.00	$13,726.00	$1,464,907.00	$2,115,145.00
19 NET PROFITS (LOSS -) BEFORE INCOME TAXES					$1,046,608.00	$787,562.00	$609,356.00	$467,854.00	$330,017.00	$223,504.00	$100,119.00	$3,565,010.00
PROFITABILITY					2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

PROFITABILITY IS DEFINED AS PROFITS BEFORE INCOME TAXES AS A PERCENT OF TOTAL REVENUE

FORECASTING PROFITABILITY - 1984

PROFITABILITY - DX
BASED ON EXPENSE CHANGES

		GROUP 1	GROUP 2	GROUP 3	GROUP 4	GROUP 5	GROUP 6	GROUP 7	GROUP 8	GROUP 9	GROUP 10	TOTAL
10 TOTAL OPERATING REVENUE					$52,373,730.00	$39,289,007.00	$30,503,623.00	$23,426,411.00	$16,493,950.00	$11,154,412.00	$4,996,357.00	$178,235,492.00
15 SUB-TOTAL DEPARTMENTAL EXPENSES	BASE				$51,748,131.00	$36,115,835.00	$29,646,015.00	$25,013,563.00	$16,892,792.00	$11,560,138.00	$6,198,265.00	$177,164,739.00
	NEW				$49,105,000.00	$36,115,835.00	$27,661,000.00	$20,878,000.00	$15,083,000.00	$10,253,000.00	$5,712,000.00	$164,807,835.00
	DIFFERENCE				$2,643,131.00	$0.00	$1,985,015.00	$4,135,563.00	$1,799,792.00	$1,307,138.00	$486,265.00	$12,356,904.00
16 DEPRECIATION					$2,234,246.00	$1,408,618.00	$1,360,660.00	$1,364,498.00	$950,572.00	$665,363.00	$396,560.00	$8,250,527.00
17 INTEREST EXPENSE					$1,952,189.00	$1,560,005.00	$1,441,572.00	$803,006.00	$466,491.00	$360,271.00	$389,565.00	$6,924,078.00
18 OTHER ADJUSTMENTS (INCOME +) (EXPENSES -)					$919,312.00	$151,168.00	($39,035.00)	($401,063.00)	$6,130.00	$13,726.00	$1,464,907.00	$2,115,145.00
19 NET PROFITS (LOSS -) BEFORE INCOME TAXES					$1,608.00	$365,717.00	$1,356.00	($146.00)	$17.00	($496.00)	$119.00	$368,175.00
PROFITABILITY					0.00%	0.93%	0.00%	0.00%	0.00%	0.00%	0.00%	0.21%

PROFITABILITY IS DEFINED AS PROFITS BEFORE INCOME TAXES AS A PERCENT OF TOTAL REVENUE

APPENDIX III

THE MOST POPULAR TELEVISION PROGRAMS IN TORONTO-HAMILTON

APPENDIX III

THE MOST POPULAR TELEVISION PROGRAMS

IN TORONTO - HAMILTON

Audience	Station	Name of Program	Source	
			CDA	Foreign
1278.7		Cosby Show		X
-795.5 (TH)	WGRZ			
-380.0 (WE)	CFTO			
-103.2 (FR)	CFTO			
1145.4		Knight Rider		X
-518.2 (SU)	CFTO			
-244.8 (SU)	WGRZ			
-382.4 (SA)	CFTO			
956.8		Magnum P.I.		X
-494.1 (TH)	CFTO			
-209.6 (TH)	WIVB			
-220.6 (MO)	CFTO			
- 32.5 (WE)	WIVB			
864.0		Cagney and Lacey		X
-281.1 (MO)	WIVB			
-105.9 (TH)	CHCH			
-283.0 (MO)	CHCH			
-194.0 (MO)	WIVB			
846.9		Grammy Awards		X
-787.3	CFTO			
- 49.6	WIVB			
707.7		Night/100 Stars 2		X
-584.7	CFTO			
-123.0	WKBW			
707.0		Fall Guy		X
-366.6 (WE)	CFTO			
-157.2 (WE)	WKBW			
-167.4 (SU)	CFTO			
- 15.8 (TU)	WIVB			
670.1		Simon & Simon		X
-473.5 (TH)	CHCH			
-174.5 (TH)	WIVB			
- 22.1 (MO)	WIVB			
665.1		Family Ties		X
-376.1	CHCH			
-289.0	WGRZ			
648.3		A-Team		X
-548.0	CHCH			
-100.3	WGRZ			

Audience	Station	Name of Program	Source	
			CDA	Foreign
636.7		Dallas		X
-510.6	CBLT			
-126.1	WIVB			
626.1		Sunday Movie		X
-565.2	CFTO			
- 60.9	WKBW			
624.6		Highway to Heaven		X
-385.8	CFTO			
-238.8	WGRZ			
601.7		Murder She Wrote		X
-381.3 (SV)	WIVB			
-220.4 (FR)	CBLT			
556.5		M*A*S*H		X
-269.4 (7PM)	CITY			
-297.1 (7½PM)	CITY			
554.5		Cheers		X
-378.1	CFTO			
-176.4	WGRZ			
554.1		Ripley's Believe it or not		X
-457.2	CHCH			
- 96.9	WKBW			
549.9		Scarecrow and Mrs. King		X
-243.4 (SU)	CFTO			
-306.5 (MO)	WIVB			
519.9		Miami Vice		X
-433.2	CHCH			
- 86.7	WGRZ			
519.2		Bob Hope		X
514.4		Hardcastle/McCormick		X
-420.9	CHCH			
- 93.5	WKBW			
510.6		President News		X
-286.9	WGRZ			
-116.3	WIVB			
-107.4	WKBW			

Audience	Station	Name of Program	Source	
			CDA	Foreign
506.8		Crazy Like a Fox		X
-285.3	WIVB			
-221.5	CFTO			
502.0		Night Court		X
-331.8	CFTO			
-170.2	WGRZ			
495.5		Leafs on CHCH	X	
487.6		Three's a Crowd		X
-280.4 (7½PM)	CBLT			
-207.2 (8PM)	WKBW			
471.1		V		X
-230.1 (SA)	CFTO			
-241.0 (FR)	WGRZ			
464.5		Newhart		X
-309.4	CBLT			
-155.1	WIVB			
436.5		Webster		X
-341.1	CHCH			
- 95.4	WKBW			
429.5	CFTO	World Beat News	X	
422.4		Gimme a Break		X
-228.0 (FR)	CHCH			
-194.4 (SA)	WGRZ			
417.9		Kate & Allie		X
-263.7	CBLT			
-154.2	WIVB			
416.9		Codename: Foxfire		X
-202.8	CFTO			
-214.9	WGRZ			
413.6		Matt Houston		X
-225.0 (FR)	WKBW			
-188.6 (WE)	CFTO			
407.7		Riptide		X
-328.3	CFTO			
- 79.4	WGRZ			

Audience	Station	Name of Program	Source	
			CDA	Foreign
407.5		Airwolf		X
-364.6	CHCH			
- 42.9	WIVB			
390.6		Hotel		X
-333.9	CFTO			
- 56.7	WKBW			
384.1		Three's Company		X
-256.8 (5½PM)	CBLT			
-127.3 (4PM)	WGRZ			
377.4	CFTO	Miss Teen Canada	X	
375.2	WKBW	Rodney Dangerfield		X
373.1		Charles in Charge		X
-217.7	WIVB			
-155.4	CBLT			
369.0		Streethawk		X
-304.6	CHCH			
- 64.4	WKBW			
368.3		Hockey Night	X	
362.9	CFTO	CTV News Extension	X	
361.8		Facts of Life		X
-201.7 (WE)	WGRZ			
-160.1 (TH)	CBLT			
360.8		20/20		X
-278.6	CHCH			
- 82.2	WKBW			
359.8	CFTO	WKRP in Cincinnati		X
330.1	CBLT	Walt Disney		X
318.1	CFTO	World Figure Skate Champ.	X	
315.0	CFTO	Monday Movie		X
304.7		Entertainment Tonight		X
-265.8	CHCH			
- 38.9	WGRZ			

Audience	Station	Name of Program	Source	
			CDA	Foreign
292.2	CITY	Golden Years of TV		X
291.3		Solid Gold		X
-226.1	CITY			
- 65.2	WGRZ			
290.2	WIVB	Golf (Sunday)		X
282.0	CICO	Today's Special		X
269.4	CFTO	World Beat News	X	
268.9	CBLT	CBC National	X	
265.7	WGRZ	Solid Gold Count		X

Source: BBM Television Reports for Spring 1985.
- Adults aged 2 and over; full coverage audiences.

THE MOST POPULAR TELEVISION PROGRAMS IN MONTREAL

Audience	Station	Name of Program	Source	
			CDA	Foreign
1037.8	CFTM	Moineau et Pinson	X	
863.3	CFTM	Peau de banane	X	
841.0	CFTM	Club sandwich	X	
826.5	CBFT	Bonne aventure	X	
748.4	CBFT	Poivre et sel	X	
739.0 -692.1 - 46.9	 CFCF WCAX	Grammy Awards		X
674.8	CFTM	Dynastie		X
671.0	CBFT	Grands Films		X
662.7	CFTM	Chien et loup	X	
622.9	CFTM	Une vie	X	
619.4	CFTM	Belle Rive	X	
549.3	CBFT	M. le ministre	X	
547.5	CBFT	Avis de recherche	X	
544.9	CFTM	Épopée Rock	X	
518.8	CBFT	Tous les miens		X
507.1	CBFT	Juste pour rire	X	
497.0	CBFT	Beaux Dimanches	X	
495.9 -482.1 - 13.8	 CFCF WCAX	Night/100 Stars 2		X
495.4	CFTM	Le 18 heures	X	
495.3	CFTM	Montréal en direct	X	
494.9	CBFT	101 o. ave. des Pins	X	
479.1	CFTM	Cinéma		X
470.2	CBFT	Monde de Disney		X

Audience	Station	Name of Program	Source	
			CDA	Foreign
469.1	CFTM	Pop Express	X	
465.1	CBFT	Soirée du hockey	X	
463.7	CBFT	Parc des braves	X	
460.0	CFTM	Magnum		X
458.7	CBFT	Court-circuit	X	
454.4	CBFT	Ce soir nouvelles	X	
448.9	CBFT	Act. rég. & sports	X	
427.2	CFTM	Hotel		X
420.3	CFTM	R.S.V.P.	X	
411.7	CFTM	Chacun chez soi	X	
409.4	CFTM	Ile fantastique		X
408.7	CBFT	Téléjournal	X	
400.7	CFTM	Hockey du jeudi	X	
396.3	CFTM	Odyssée	X	
386.9	CFTM	Salle de concert		
385.6	CFTM	Fais-moi peur		
379.1		Price is Right		X
-328.5	CFCF			
- 50.6	WCAX			
375.7	CFTM	Ciné-mercredi		
369.1	CFCF	Miss Teen Canada	X	
366.9	CFCF	Sunday Movie		
359.1		A-Team		X
-292.6	CFCF			
- 66.5	WCAX			
356.3	CBFT	Astro Petit Robot		

Audience	Station	Name of Program	Source	
			CDA	Foreign
346.4	CFCF	Dynasty		X
344.4	CBFT	La croisière s'amuse		X
342.3	CBFT	Dallas		X
334.4	CBFT	Beaux Dimanches	X	
332.8	CBFT	Dossiers	X	
331.8	CBFT	Génies en herbe	X	
326.5	CBFT	Passe-Partout	X	
324.7	CFTM	Ciné Week-end		
316.9	CBFT	Vagabond		
316.2	CBFT	Lucky Luke		X
312.3	CBFT	Terre Humaine	X	
299.6	CFCF	Pulse	X	
298.5	CBFT	Le Point	X	
292.6	CFTM	Tirages Loto-Québec	X	
289.8	CFTM	Petite pouliche		
288.8	CBFT	Plein Temps	X	

Source: BBM Television Reports for Spring 1985.
- Adults aged 2 and over; full coverage audiences.